

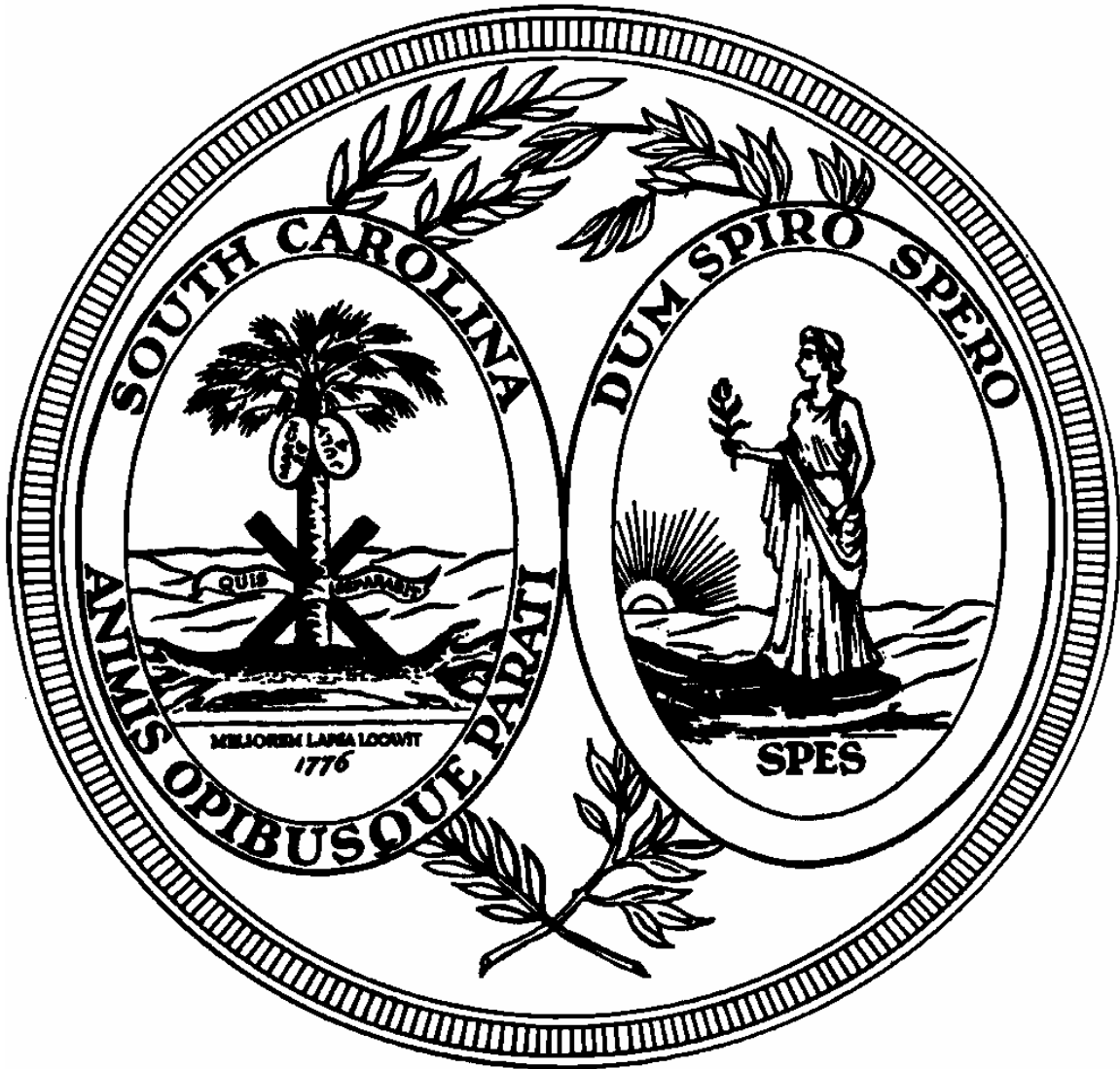
A large, black-outlined map of the state of South Carolina serves as a background for the title text. The text is centered within the map's boundaries.

**STATE OF
SOUTH CAROLINA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30,
2018**

Prepared by the Comptroller General's Office



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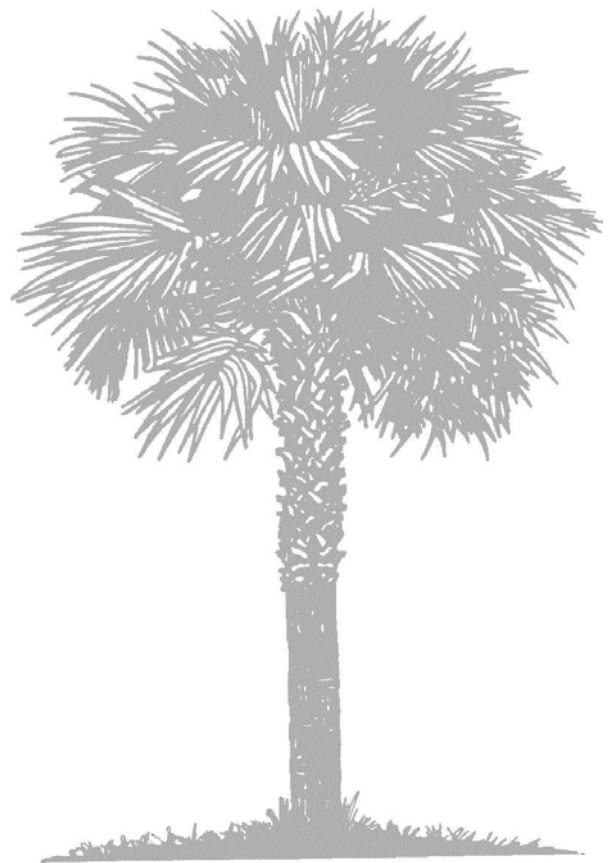
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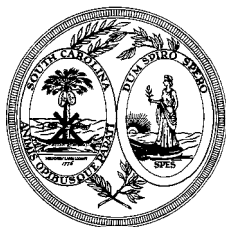
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Introductory

Section



Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organizational Chart



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WILLIAM E. GUNN
CHIEF OF STAFF

November 15, 2018

**To the Citizens, Governor and
Members of the South
Carolina General Assembly**

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2018. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor and CliftonLarsonAllen LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2018. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process.

This letter of transmittal is designed to complement management's discussion and analysis that immediately follows the report of the independent auditors.

PROFILE OF THE GOVERNMENT

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-third in population with approximately 5.0 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the tenth fastest in the nation.

As shown in the organizational chart on page 15, State government is divided into three separate branches: legislative, executive, and judicial. The State's citizens elect the legislative and executive branch officials. The General Assembly elects certain members of the judicial branch, including the Supreme Court. The principal State officials currently in office are listed on page 14.

State government provides a full range of services to South Carolina's citizens including educational, health, social/human, transportation, public safety, regulatory, and conservation/natural resources services. In addition, the State provides funds, grants, and loans to assist local governments, including school districts.

The State's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, and agencies. The State's component units are legally separate organizations for which the State is accountable for purposes of financial reporting. The Management's Discussion and Analysis (MD&A) and the Basic Financial Statements focus on the activities of the primary government.

Additional information on the State's component units can be found in the notes to the accompanying financial statements and in the separately issued financial statements of those component units.

South Carolina's annual Appropriations Act includes legally adopted budgets by agency for the Budgetary General Fund and for Total Funds. After the budget year begins, the Executive Budget Office (EBO), may order spending cuts if revenue collections fall short of predicted levels. A department or agency may request transfers of appropriations between programs if its transfer request does not exceed 20% of its program budget. The EBO has the authority to approve additional requested transfers of appropriations between personal services and other operating expenditure accounts. For additional information, see the notes to the required supplementary information - budgetary.

STATE ECONOMY

South Carolina has a diversified economic base, including manufacturing, trade, healthcare, services, and leisure/hospitality. Businesses have relocated here from all over the world taking advantage of the State's skilled labor force, competitive wages, lower-priced land, excellent port facilities and accessibility to markets, and, in recent years, substantial tax and other economic incentives.

Businesses continue to choose South Carolina as a place to locate or expand, and the State of South Carolina is committed to working with employers to meet their workforce needs through state-supported workforce development initiatives.

During the year ended June 30, 2018, total non-farm employment in the state increased by 41,400 to 2,125,700. Industry sectors reflecting gains were Leisure and Hospitality (+16,600); Mining, Logging, Information, and Other Services (+7,400); Education and Health Services (+6,900); Trade, Transportation, and Utilities (+4,900); Professional and Business Services (+3,300); Government (+2,600); and Financial Activities (+1,200). The Construction sector remained unchanged and declines were experienced in the Manufacturing sector (-1,500).

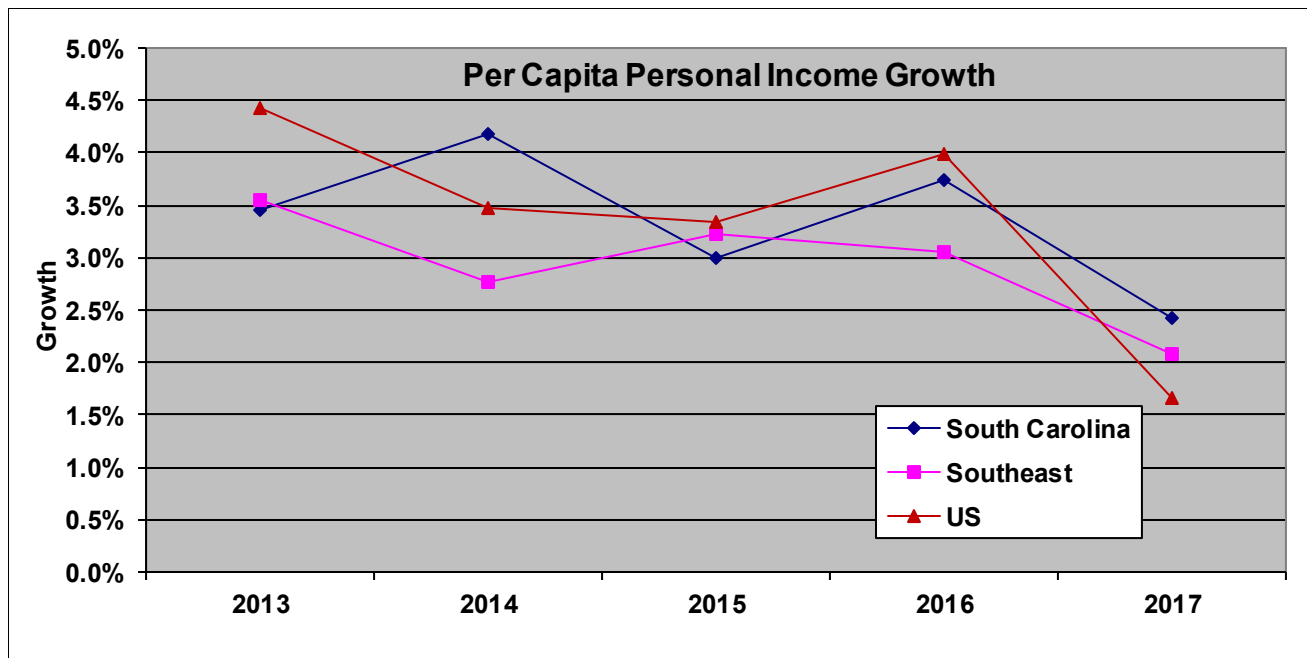
South Carolina's unemployment rate was 3.8% in June 2018, which was below the June 2017 rate of 3.9%. It improved to 3.3% in September 2018. In comparison, the U.S. unemployment rate in June 2018 was 4.0% and 3.9% in September 2018.

The South Carolina Leading Index (SCLI) increased by 0.08 points from June 2017 to June 2018 to 102.55. Above the 100 mark, the SCLI forecasts improving economic conditions for South Carolina over the upcoming three to six months. The SCLI closed the month of September 2018 at 102.58, the most current month available.

The number of real estate closings remained virtually the same when comparing June 2018 and June 2017. But, with the declining number of foreclosures in the state, down 2.9 percent in June 2018 compared to June 2017, the supply of available homes on the market remains low. As inventory tightens, real estate values in South Carolina have gained ground. In addition, residential building permits compared to a year ago are up 10.5 percent in volume and 9.0 percent in valuation.

The South Carolina housing market continued to improve, with the Charleston, Florence, and Columbia housing markets experiencing strong home sales in the first half of calendar year 2018. This growth was also complemented by median home prices of homes sold increasing 6.6 percent when comparing June 2018 to June 2017.

Also, see the following for a comparison of South Carolina, the southeastern United States, and the entire United States in per capita personal income growth over the last five years.



LONG-TERM FINANCIAL PLANNING

State law requires agencies that receive 1.0% or more of the total annual General Fund appropriations to provide an estimate of their projected General Fund expenditures for the next three fiscal years. The Executive Budget Office combines these expenditure estimates with long-term revenue estimates made by the State's Board of Economic Advisors (BEA) to create a three-year financial plan. The three-year financial plan assists the State in strategically assessing its future financial commitments. The plan is updated annually and provided to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate during the second quarter of each fiscal year.

Significant financial challenges facing state government include anticipated future spending increases for Medicaid, State retirement and post-retirement health benefits, and elementary and secondary education.

The State's long-term financial management practices include a five-year comprehensive permanent improvement plan that requires funding to be in place before beginning construction on any capital improvement projects.

RELEVANT FINANCIAL POLICIES

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to compare actual revenue collections with its earlier projections and to adjust its projections if necessary. The State legislature and EBO are responsible for taking appropriate action to keep the State's budget in balance. If at the end of the first, second, or third quarter of any fiscal year the BEA reduces revenue by more than three percent below the amount projected for the fiscal year, the President Pro Tempore of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year-end deficit. If the houses do not come into session within twenty days of the BEA determination, the Director of the EBO must reduce most agency appropriations evenly across-the-board to avoid a year-end deficit. The State is also required to maintain a General Reserve Fund amounting to 5.0% of total General Fund revenues for the latest completed fiscal year that can be used only for eliminating a year-end operating deficit. Additionally, the State is required to annually fund a 2% Capital Reserve to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly.

Legislation also exists directing that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary surplus appropriations in a general or supplemental act or Capital Reserve Fund appropriations if the State's General Fund has a negative unrestricted, unassigned fund balance when reported on a Generally Accepted Accounting Principles-basis.

The State ended fiscal year 2018 with a positive budgetary General Fund balance after reservation of \$1.187 billion, which was made up of legislatively approved agency carryover appropriations of \$484.487 million, the General Reserve of \$363.552 million, the Capital Reserve of \$145.421 million, and unassigned surplus of \$193.714 million. See the Required Supplementary Information – Other than Management’s Discussion and Analysis (Unaudited) section for further information.

MAJOR INITIATIVES

The State continues to fund programs related to job creation. In calendar year 2017 the State committed \$20.0 million to the South Carolina Coordinating Council on Economic Development’s Set-Aside Fund, which is dedicated to improving the economic well-being of the State by providing funds to local government to develop the infrastructure necessary for new and expanding business. Programs like this helped to attract Samsung to Newberry County and Stanley Black & Decker to York County in fiscal year 2018. Stanley Black & Decker is expected to create 500 jobs in the coming years. Additionally, Zeus Industrial Products, Inc. announced that it will expand its facilities in Calhoun County in fiscal year 2018, which will create an additional 350 jobs in the coming years as well.

South Carolina’s job creation and capital investment from manufacturers have experienced steady growth since the end of the 2007 - 2009 Recession. In 2017 alone, the state attracted more than \$5.24 billion in new capital investment from manufacturing companies, which resulted in the creation of more than 18,445 jobs.

Area Development Magazine recently ranked South Carolina fourth in its 2018 “Top States for Business” analysis. Area Development Magazine also ranked South Carolina first in business incentive programs and second in cooperative and responsive state government within the analysis.

South Carolina’s Growing Economic Environment

Over the last several years, South Carolina has continued to demonstrate its ability to attract expanded economic opportunities for citizens. Manufacturing has grown substantially. South Carolina has also experienced a state-wide decrease in its unemployment rate, which has shown that even in the midst of challenging national economic conditions our state’s business-friendly climate and committed workforce continue to attract investment that creates well-paying jobs.

We have seen an emerging trend of companies investing and expanding in South Carolina. Many of South Carolina’s major employers have expanded and created high-quality jobs within the state. In 2012, the State established an Aerospace Task Force to position the state for future growth. The task force is focused on growing the aerospace supply chain for companies like Boeing and GE Turbine and supporting initiatives to assure that South Carolina has a workforce ready for the aerospace industry.

South Carolina’s exports reached record levels again in 2017 with exports increasing by 2.9% to \$32.2 billion from 2016 to 2017. In 2017, South Carolina ranked 16th in the United States in exports. These export figures were bolstered by the fact that the State is the nation’s top exporter of completed passenger vehicles and tires, in which the State accounted for approximately 16% of the entire U.S. passenger vehicles market and approximately 31% of the total U.S. tire export market. The State also recently established a Transportation, Distribution and Logistics (TDL) Council that includes strong private sector participation. Part of the mission of this council is to prepare South Carolina for the Panama Canal expansion, providing South Carolina with a world-class port that will have the capacity to support the expected increase in merchant shipping. The Port of Charleston is deepening its shipping channel from forty-five to fifty-two feet. Once the project is completed by the end of the decade, Charleston will be the deepest port on the east coast.

Due in part to the State’s economic outreach initiatives, South Carolina’s total economic output or gross domestic product (GDP) was \$219.093 billion in 2017. Between 2016 and 2017, our real GDP grew 2.3%, which compares to the southeast states average growth of 2.0%.

With our cost of living 3.7% below the national average, South Carolina offers exceptionally productive employees at one of the lowest labor costs in the nation. South Carolina is a right-to-work state and in 2017 had the lowest unionization rate in the nation, at 2.6% of the workforce. As a result of this, Kiplinger recently highlighted South Carolina as tied with Texas at eleventh in states that have gained the most jobs in 2017 with an employment increase of 1.8%.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2017. This was the thirtieth consecutive year that the State of South Carolina achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

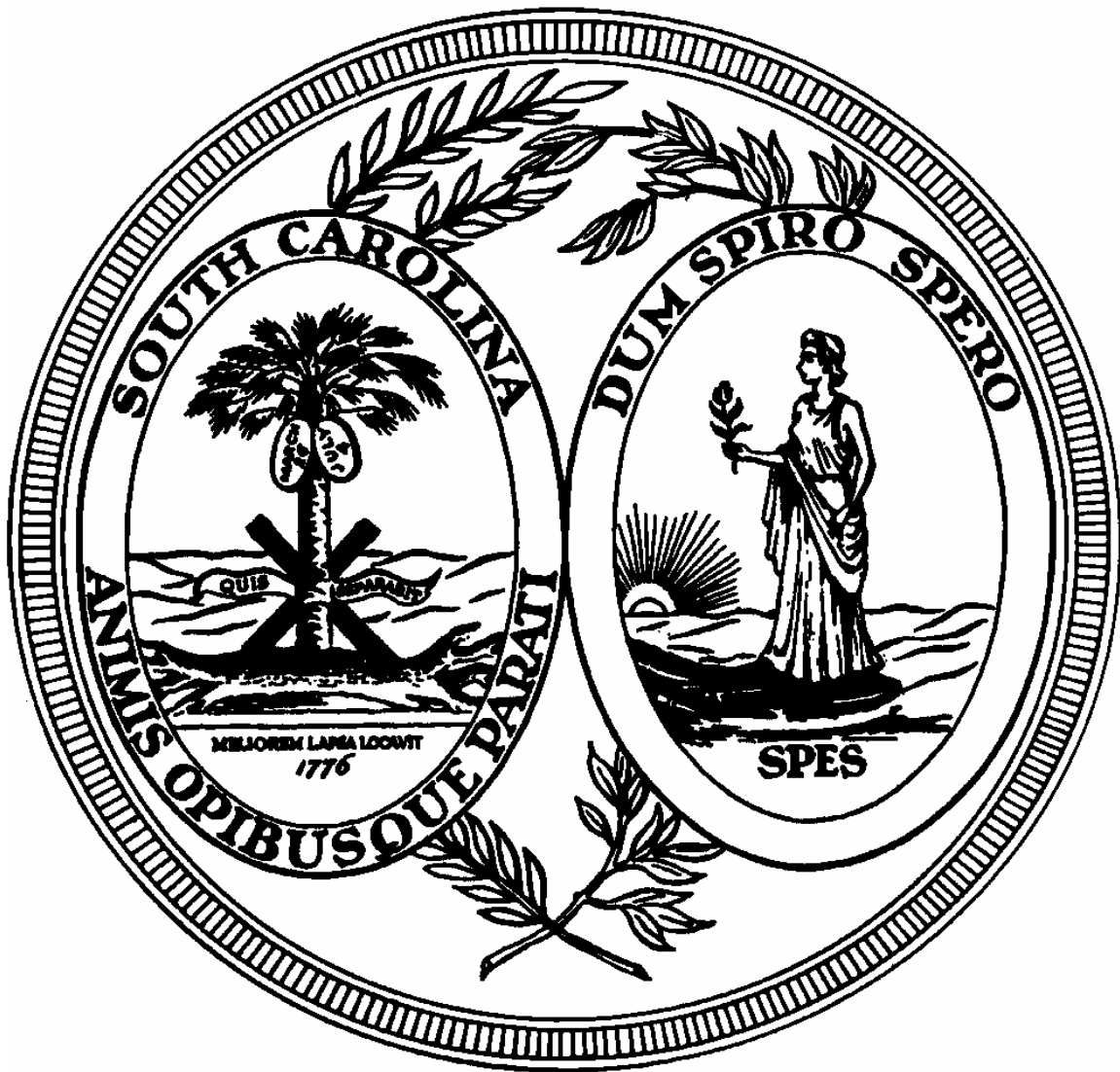
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility to be awarded a Certificate of Achievement.

Production of the CAFR was made possible only by the support of all State agencies and component units that supplied financial data to our office on a timely basis. I extend special appreciation for the members of my staff who devoted many of their nights and weekends over the past few months working as a team to produce this comprehensive document. I also express special appreciation for the generous sacrifices made by their families who endured the many extra hours they devoted to successfully complete this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Eckstrom". The signature is fluid and cursive, with the first name "Richard" being more prominent than the last name "Eckstrom".

Richard Eckstrom, CPA
Comptroller General



**CERTIFICATE
OF ACHIEVEMENT
FOR EXCELLENCE IN
FINANCIAL REPORTING**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

Kevin L. Bryant, President of the Senate and Lieutenant Governor
Hugh K. Leatherman, Sr., President Pro Tempore of the Senate
James H. Lucas, Speaker, House of Representatives

EXECUTIVE

STATE FISCAL ACCOUNTABILITY AUTHORITY

Henry D. McMaster, Chairman, Governor
Curtis M. Loftis, State Treasurer
Richard Eckstrom, Comptroller General
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
W. Brian White, Chairman, House Ways and Means Committee

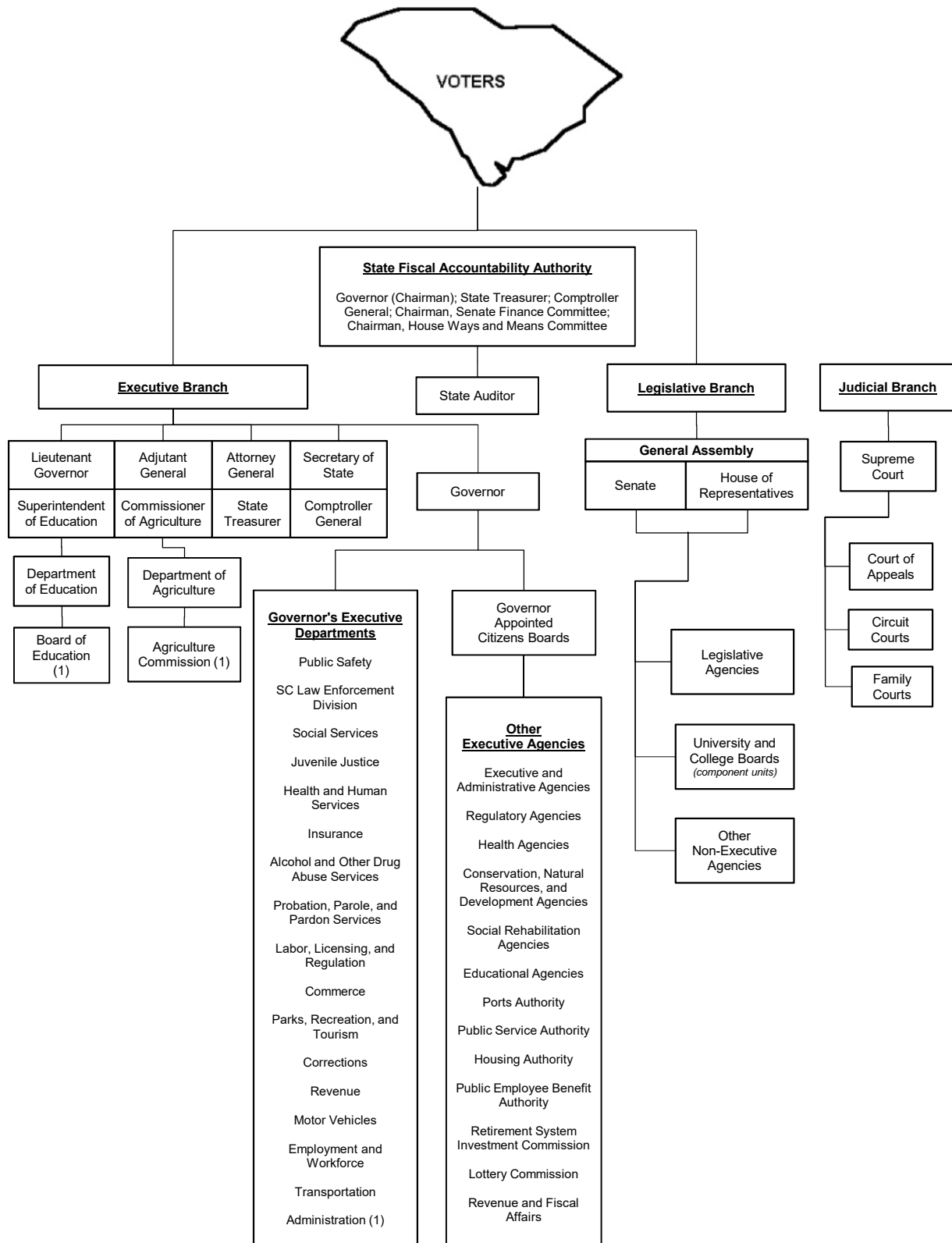
Kevin L. Bryant, President of the Senate and Lieutenant Governor
Mark Hammond, Secretary of State
Alan Wilson, Attorney General
Molly Spearman, State Superintendent of Education
Major General Robert E. Livingston, Jr, Adjutant General
Hugh E. Weathers, Commissioner of Agriculture

JUDICIAL

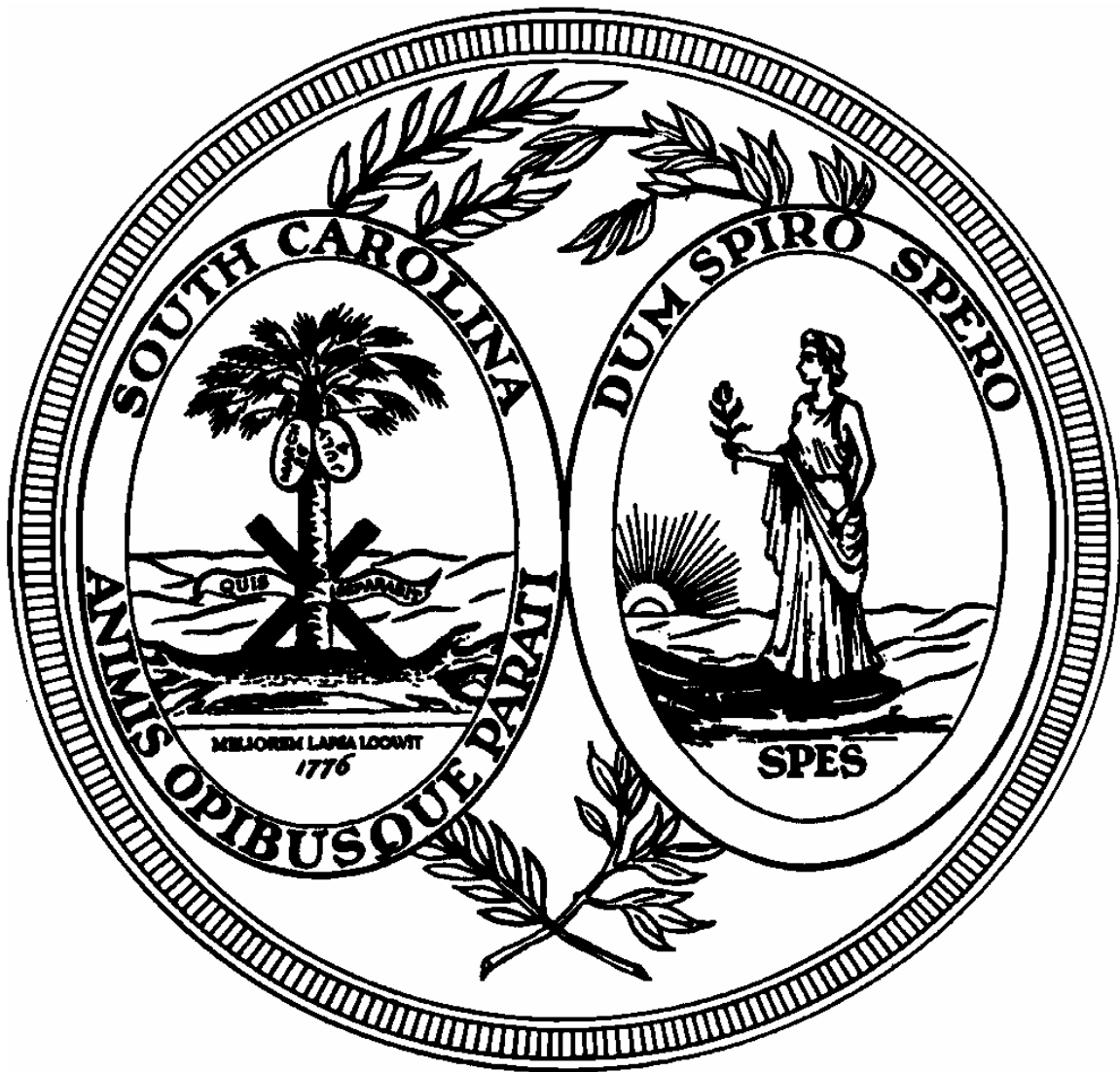
Donald W. Beatty, Chief Justice, Supreme Court

The State's citizens elect the legislative and executive branch officials named above. The General Assembly elects certain members of the judicial branch, including the Supreme Court.

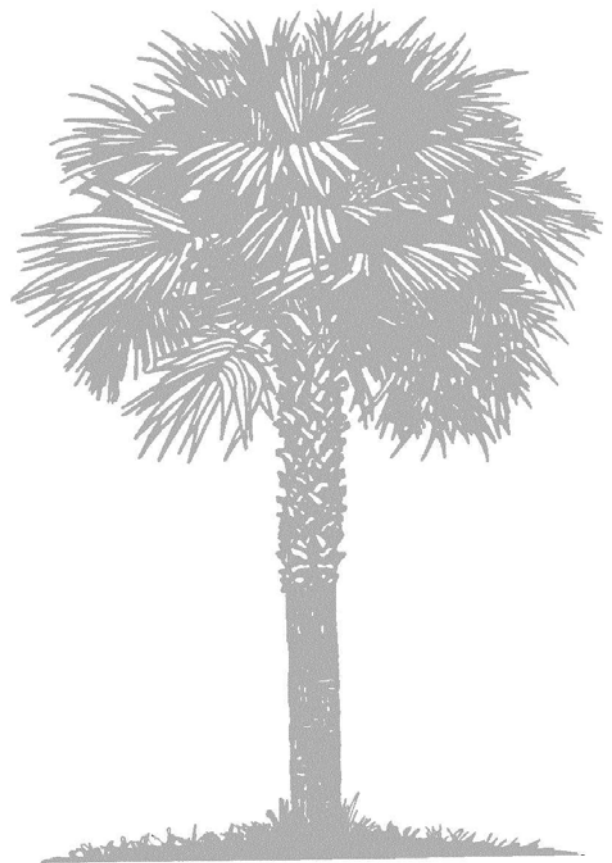
Organizational Chart



(1) Board of Education and Agriculture Commission are comprised of 16 members elected by the legislative delegation of each judicial district, one member at large appointed by the Governor and the Superintendent of Education or Commissioner of Agriculture, respectively.



Financial Section



Independent Auditors' Report
Management's Discussion and Analysis (Unaudited)
Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information



INDEPENDENT AUDITORS' REPORT

The Honorable Henry D. McMaster, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to jointly express opinions on these financial statements based on our audit.

We did not jointly audit the financial statements of certain agencies and component units of the State, which represent the indicated percent of total assets and deferred outflows of resources and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen, LLP acting separately, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

| | Percentage Audited by CliftonLarsonAllen LLP Separately | | Percentage Audited by Other Auditors | |
|-------------------------------|---|---------------|--|---------------|
| | Total Assets and Deferred Outflows of Resources | Total Revenue | Total Assets and Deferred Outflows of Resources | Total Revenue |
| <u>Government-wide</u> | | | | |
| Governmental activities | 2% | 11% | 60% | 11% |
| Business-type activities | - | - | 82% | 82% |
| Component units | - | - | 99% | 96% |
| <u>Fund Statements</u> | | | | |
| Governmental Funds | - | - | 23% | 11% |
| Enterprise Funds | - | - | 82% | 82% |
| Internal Service Funds | 38% | 90% | 52% | 6% |
| Fiduciary Funds | 76% | 30% | 23% | 70% |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the State Ports Authority, Connector 2000 Association, Inc., South Carolina Research Authority, InvestSC, Inc. and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Errors and Change in Accounting Principle

As described in Note 15 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period and the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and net pension liability schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

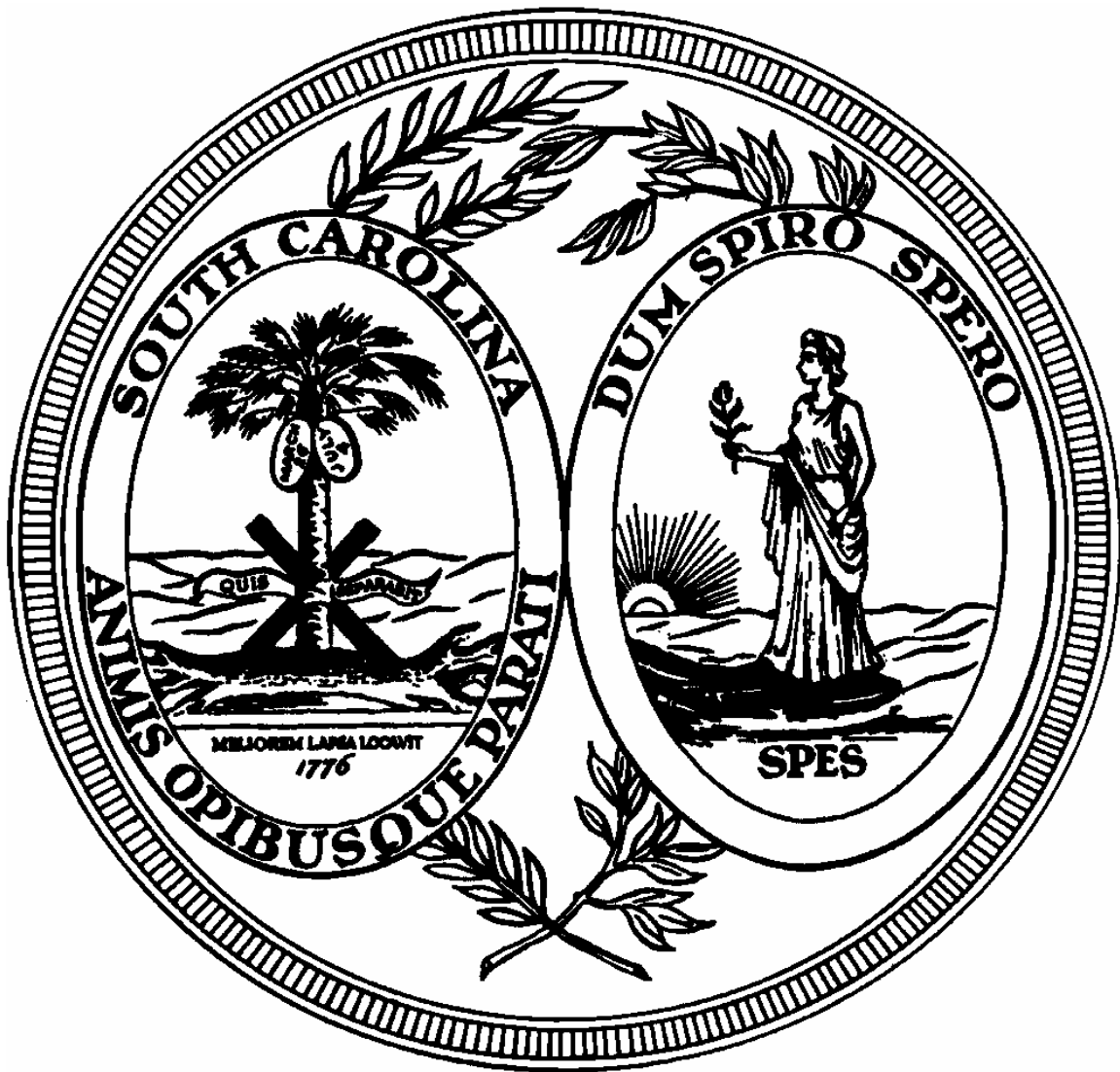
In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

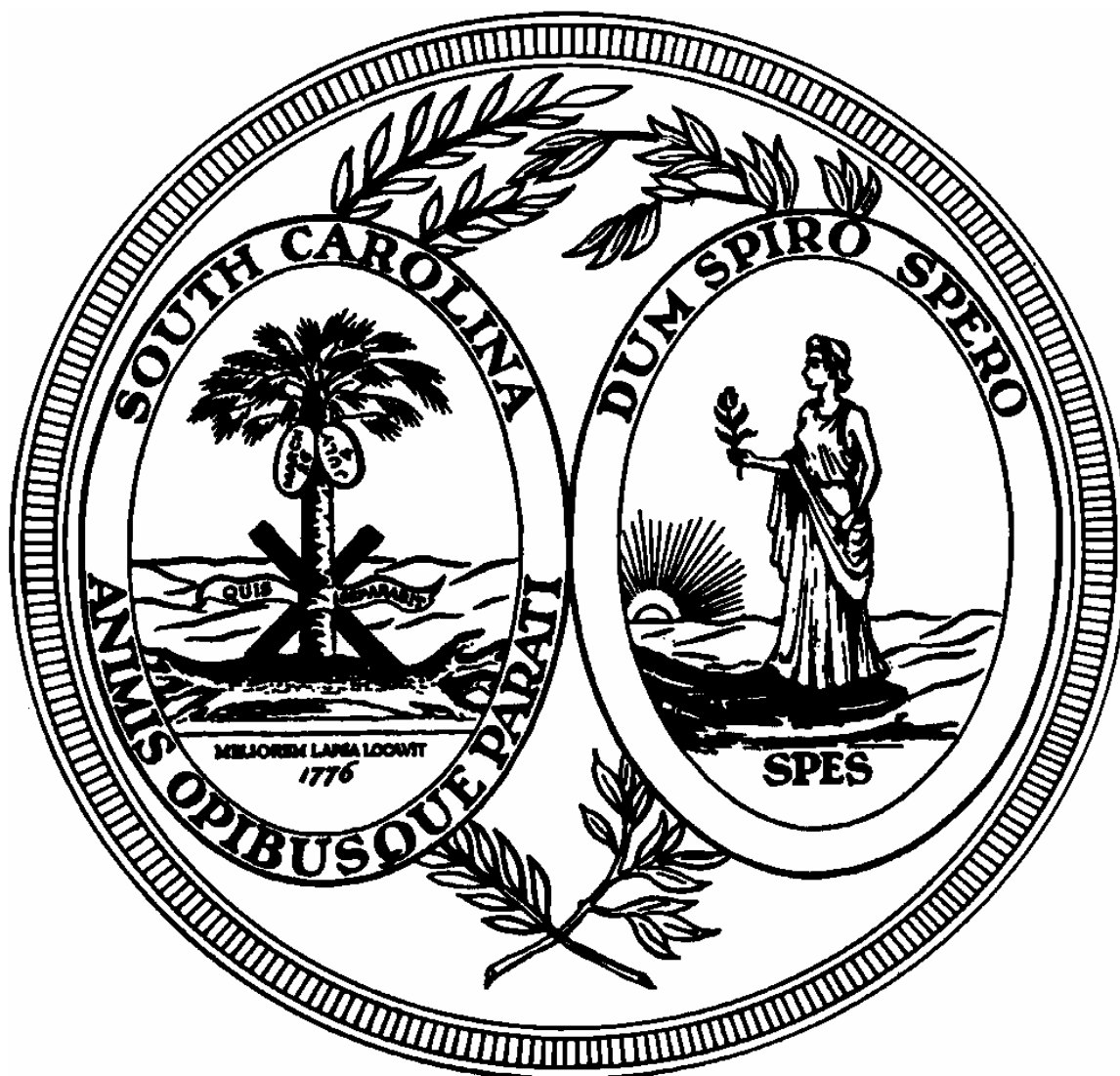


Columbia, South Carolina
November 15, 2018



Baltimore, Maryland
November 15, 2018





**MANAGEMENT'S DISCUSSION
AND ANALYSIS—
Required Supplementary Information
(Unaudited)**

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2018. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the State of South Carolina's basic financial statements, which include the following parts: (1) *government-wide financial statements*, (2) *fund financial statements*, (3) *component unit financial statements*, and (4) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and other *supplementary information* to aid in understanding the operations of the State.

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole*, using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 38 through 41 of this report.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered such as the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement on page 40 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

The government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the State's basic services are included here, such as general government, education, health and environment, social services, administration of justice, and transportation. Taxes (primarily income and sales taxes) and federal grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund and Second Injury Fund are the most significant of South Carolina's business-type activities.

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, the State Lottery Commission, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (see Note 1a of the notes to the financial statements on page 67).

Fund Financial Statements

The fund financial statements on pages 42 through 59 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

Governmental funds: The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

The basic governmental fund statements are on pages 42 through 49 of this report.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds*) or other State agencies and other governments (*internal service funds*). Proprietary funds use the *accrual basis of accounting* like businesses use. The State reports all of its enterprise funds as *business-type activities* in the government-wide statements. However, because the internal service fund operations primarily benefit other State agencies or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial statements.

The basic proprietary fund statements are on pages 50 through 56 of this report.

Fiduciary funds: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust agreement, it is to use only for trust beneficiaries such as an investment pool operated on behalf of local governments. These activities are *excluded* from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net position it reports in fiduciary funds are used for the intended purposes.

The basic fiduciary fund statements are on pages 58 and 59 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 60 through 63 of this report.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 181 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 190 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. Additionally, the required supplementary information section includes information on the State's five pension programs: The South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System. This required supplementary information is on pages 183 through 215 of this report.

Supplementary Information

Nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units are presented immediately following the required supplementary information. Combining and individual fund statements and a schedule of General Reserve Activity are found on pages 217 through 263 of this report.

Government-wide Financial Analysis

Exhibits 1 and 2 summarize the State's overall financial position and results of operations for the past two years based on information included in the government-wide financial statements.

Exhibit 1
Government-wide Net Position
As of June 30, 2018
(Expressed in Thousands)

| | Governmental Activities | | Business-type Activities | | Totals— Primary Government | | Total Percent Change |
|---------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|----------------------------|
| | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) | 2018-2017 |
| Assets | | | | | | | |
| Current and other assets..... | \$ 13,017,399 | \$ 11,856,925 | \$ 1,318,890 | \$ 1,123,234 | \$ 14,336,289 | \$ 12,980,159 | 10.4% |
| Capital assets..... | 17,521,033 | 16,761,453 | 281,212 | 256,215 | 17,802,245 | 17,017,668 | 4.6% |
| Total assets..... | 30,538,432 | 28,618,378 | 1,600,102 | 1,379,449 | 32,138,534 | 29,997,827 | 7.1% |
| Deferred Outflows of Resources | 989,170 | 862,866 | 3,836 | 3,791 | 993,006 | 866,657 | 14.6% |
| Liabilities | | | | | | | |
| Long-term liabilities..... | 10,247,203 | 10,430,759 | 302,037 | 322,703 | 10,549,240 | 10,753,462 | (1.9%) |
| Other liabilities..... | 3,310,805 | 3,064,462 | 135,624 | 145,427 | 3,446,429 | 3,209,889 | 7.4% |
| Total liabilities..... | 13,558,008 | 13,495,221 | 437,661 | 468,130 | 13,995,669 | 13,963,351 | 0.2% |
| Deferred Inflows of Resources | 400,609 | 93,175 | 509 | 115 | 401,118 | 93,290 | 330.0% |
| Net Position | | | | | | | |
| Net investment in capital assets..... | 15,079,318 | 14,133,938 | 218,157 | 216,697 | 15,297,475 | 14,350,635 | 6.6% |
| Restricted..... | 6,068,437 | 8,204,123 | 1,023,083 | 792,899 | 7,091,520 | 8,997,022 | (21.2%) |
| Unrestricted..... | (3,578,770) | (6,445,213) | (75,472) | (94,601) | (3,654,242) | (6,539,814) | 44.1% |
| Total net position..... | \$ 17,568,985 | \$ 15,892,848 | \$ 1,165,768 | \$ 914,995 | \$ 18,734,753 | \$ 16,807,843 | 11.5% |

Net Position

The comparison of net position to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2018 fiscal year, the State's net position totaled \$18.735 billion.

The largest portion of the State's net position reflects its *net investment in capital assets* (for example, buildings, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The State uses capital assets to provide services to citizens; consequently, they are *not* available for future spending. Further, the State cannot sell the capital assets to repay the related debt because it needs the assets for its operations; so it must find other resources to repay the debt.

Restricted net position generally is available for future spending but is subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State's largest restricted balances include capital improvement bond proceeds (restricted for various capital projects) and debt service.

Unrestricted net position—resources normally available for future spending without restrictions—reported a deficit balance of (\$3.654) billion at June 30, 2018. This represents an increase in the deficit net position of \$2.886 billion over the prior year. The primary government's unrestricted deficit net position partially consists of the \$3.963 billion net pension liability and the \$2.838 billion other post-employment benefits other than pensions (OPEB) liability, which are required to be recognized by GASB 68 (see Note 7 starting on page 104) and GASB 75 (see Note 8 starting on page 113), respectively. It should be noted that the deficit unrestricted net position was also offset by increases in restricted net position and net investment in capital assets, resulting in overall increases in the net positions of the State's *governmental activities* and *business-type activities*.

The State's *business-type activities* reported a \$75.472 million deficit unrestricted net position. This balance was mostly comprised of a \$41.217 million deficit unrestricted net position in the State-run Patients' Compensation Fund and a \$36.065 million deficit unrestricted net position in the State-run college Tuition Prepayment Program. The negative unrestricted net position in the Patient Compensation Fund and the Tuition Prepayment Program was the result of the full amount of claims exceeding assets on hand on June 30, 2018.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | Governmental Activities | | Business-type Activities | | Totals— Primary Government | | Total Percentage Change |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|
| | 2018 | (as restated) 2017 | 2018 | (as restated) 2017 | 2018 | (as restated) 2017 | 2018-2017 |
| Revenues | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services..... | \$ 3,727,978 | \$ 3,406,090 | \$ 458,601 | \$ 497,012 | \$ 4,186,579 | \$ 3,903,102 | 7.3% |
| Operating grants and contributions..... | 9,253,825 | 9,127,975 | 5,660 | 22,708 | 9,259,485 | 9,150,683 | 1.2% |
| Capital grants and contributions..... | 977,834 | 813,622 | — | 18,998 | 977,834 | 832,620 | 17.4% |
| General revenues: | | | | | | | |
| Individual income tax..... | 4,408,772 | 4,143,217 | — | — | 4,408,772 | 4,143,217 | 6.4% |
| Retail sales and use tax..... | 4,688,789 | 4,436,958 | — | — | 4,688,789 | 4,436,958 | 5.7% |
| Other tax..... | 2,652,027 | 2,322,000 | — | — | 2,652,027 | 2,322,000 | 14.2% |
| Unrestricted grants and contributions..... | 38 | — | — | — | 38 | — | 100.0% |
| Unrestricted investment income..... | 160,636 | 191,486 | 34,132 | 22,777 | 194,768 | 214,263 | (9.1%) |
| Tobacco legal settlement..... | 81,605 | 73,533 | — | — | 81,605 | 73,533 | 11.0% |
| Other..... | 150,635 | 154,778 | 4,545 | 1,802 | 155,180 | 156,580 | (0.9%) |
| Total revenues..... | 26,102,139 | 24,669,659 | 502,938 | 563,297 | 26,605,077 | 25,232,956 | 5.4% |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government..... | 6,819,685 | 5,507,990 | — | — | 6,819,685 | 5,507,990 | 23.8% |
| Education..... | 4,745,126 | 4,991,282 | — | — | 4,745,126 | 4,991,282 | (4.9%) |
| Health and environment..... | 8,156,138 | 8,156,599 | — | — | 8,156,138 | 8,156,599 | (0.0%) |
| Social services..... | 1,695,379 | 1,766,719 | — | — | 1,695,379 | 1,766,719 | (4.0%) |
| Administration of justice..... | 986,839 | 938,748 | — | — | 986,839 | 938,748 | 5.1% |
| Resources and economic development..... | 393,575 | 484,902 | — | — | 393,575 | 484,902 | (18.8%) |
| Transportation..... | 1,620,126 | 1,481,762 | — | — | 1,620,126 | 1,481,762 | 9.3% |
| Other..... | 18,335 | 25,865 | — | — | 18,335 | 25,865 | (29.1%) |
| Business-type activities: | | | | | | | |
| Unemployment compensation benefits..... | — | — | 182,537 | 199,409 | 182,537 | 199,409 | (8.5%) |
| Second Injury Fund..... | — | — | 285 | 600 | 285 | 600 | (52.5%) |
| Other..... | — | — | 60,142 | 52,900 | 60,142 | 52,900 | 13.7% |
| Total expenses..... | 24,435,203 | 23,353,867 | 242,964 | 252,909 | 24,678,167 | 23,606,776 | 4.5% |
| Excess before transfers..... | 1,666,936 | 1,315,792 | 259,974 | 310,388 | 1,926,910 | 1,626,180 | 18.5% |
| Net transfers..... | 9,201 | 2,559 | (9,201) | (2,559) | — | — | — |
| Increase in net position..... | 1,676,137 | 1,318,351 | 250,773 | 307,829 | 1,926,910 | 1,626,180 | 18.5% |
| Net position at beginning of year..... | 15,892,848 | 17,522,068 | 914,995 | 610,902 | 16,807,843 | 18,132,970 | (7.3%) |
| Restatements ^a..... | — | (2,947,571) | — | (3,736) | — | (2,951,307) | |
| Net position at beginning of year, restated ^a..... | 15,892,848 | 14,574,497 | 914,995 | 607,166 | 16,807,843 | 15,181,663 | 10.7% |
| Net position, end of year..... | \$ 17,568,985 | \$ 15,892,848 | \$ 1,165,768 | \$ 914,995 | \$ 18,734,753 | \$ 16,807,843 | 11.5% |

a - See Note 15, Fund Equity Reclassifications and Restatements, on pages 145 - 146 of the financial statements.

Changes in Net Position

The State's total net position increased by \$1.927 billion, or 11.5%, over the prior year's net position as a result of its governmental activities and its business-type activities. The overall improvement in the financial position of the State was experienced primarily through increased tax and program revenues of the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by \$1.676 billion, or 10.5%. Revenue increased from last year by \$1.432 billion, or 5.8%, which was comprised of an increase of \$820.530 million, or 7.2%, in general revenue and an increase of \$611.950 million, or 4.6%, in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the sources of revenues that support governmental activities.

State of South Carolina

Expenses associated with governmental activities increased by \$1.081 billion, or 4.6%, for the fiscal year ended June 30, 2018. These expenses were mostly associated with services provided for health and environment, education, general government, social services, and transportation. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State’s taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2018, the State used \$10.476 billion in tax and other general revenues to offset the net cost of all services that the State’s governmental activities provided. Governmental activities reported \$9.201 million in net transfers from the State’s business-type activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2018 fiscal year:

- Individual income tax revenues increased by \$265.555 million, or 6.4%, retail sales and use tax revenues increased by \$251.831 million, or 5.7%, and other taxes revenues increased by \$330.027 million, or 14.2%. Overall tax collections increased during fiscal year 2018 due to increased enforcement and improvements in consumer spending within the state and national economies.
- Capital grants and contributions increased by \$164.212 million or 20.2% from last year. This was primarily a result of contributions from the State Infrastructure Bank and federal grants related to infrastructure for transportation.
- General government expenses increased by \$1.312 billion, or 23.8%, from last year. This was attributable to the implementation of GASB 75 and the recognition of the net OPEB liability within the State and the increase in the State’s net pension liability.
- Transportation expenses increased by \$138.364 million, or 9.3%, from last year. The increase is primarily the result of increased expenditures related to the gas tax increase for road maintenance as well as the storms that South Carolina has experienced over the last three years. These storms did major damage to bridges and roads. As the State of South Carolina recovers from such damage, these expenditures can span a number of years as the infrastructure is rebuilt and repaired. In the 2018 fiscal year, the State incurred \$60.4 million related to the 2016 storm and \$115.7 million related to the 2015 storm. FEMA reimbursed \$123.0 million of these costs as of June 30, 2018.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2018

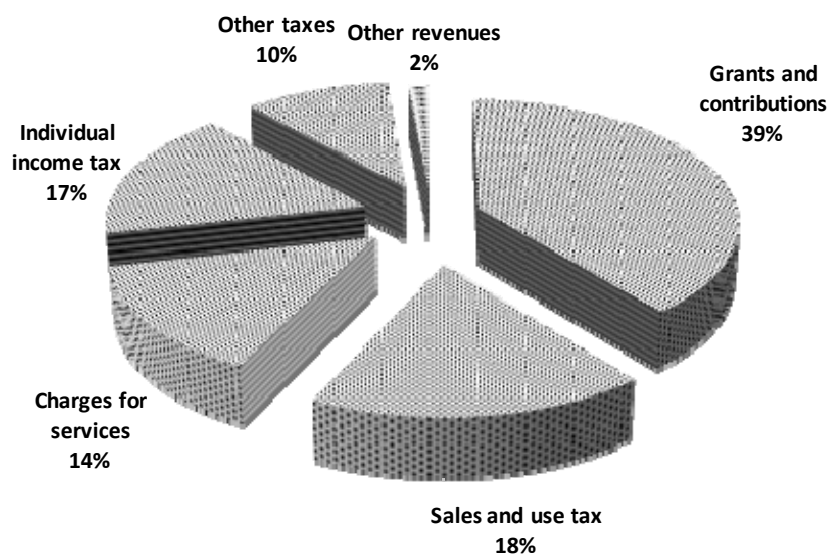
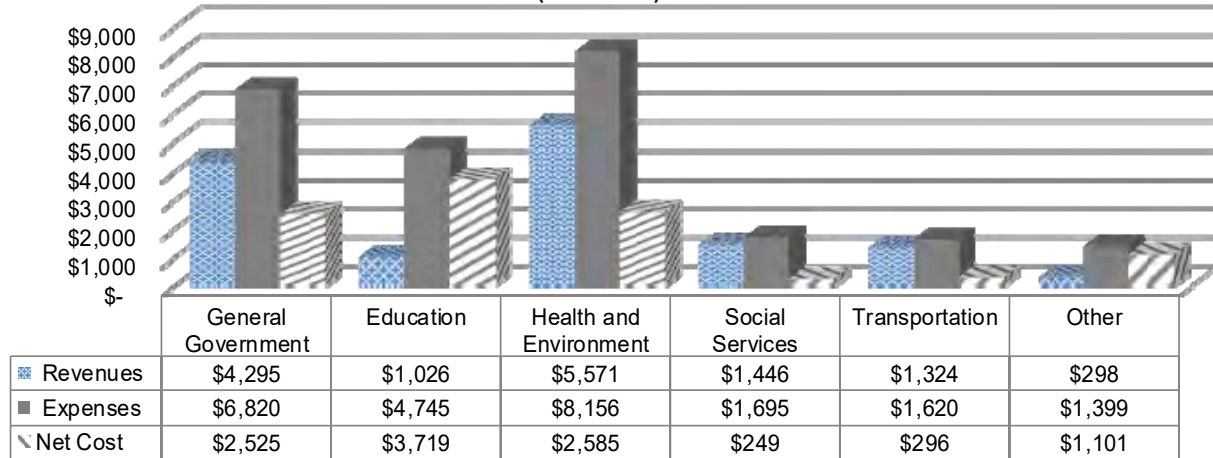


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2018
(In Millions)



Business-type Activities

The net position of the State's business-type activities increased by \$250.773 million, or 27.4%.

Most business-type activities are self-supporting. The Unemployment Compensation Fund accounts for the State's unemployment compensation benefits in which federal grants and assessments on employers pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund's net position as of June 30, 2018 was \$976.977 million, which was an increase of \$184.078 million, or 23.2%. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and State Accident Fund. The Second Injury Fund's net position as of June 30, 2018 was \$46.106 million, which was an increase of \$61.792 million, or 393.9%.

Operating revenues of the Unemployment Compensation Fund decreased by \$40.993 million, or 10.1%, and operating expenses for the payment of unemployment compensation benefits decreased by \$16.872 million, or 8.5%, during the 2018 fiscal year. The decreases in operating revenues and expenses resulted from the general decline in unemployment rates throughout the country. Additionally, operating revenues for the Second Injury Fund have increased by \$101 thousand, or 0.2%, but operating expenses for the payment of Second Injury Fund claims remained at a low level during the 2018 fiscal year due to only a minimal \$185 thousand adjustment to the Second Injury Fund's claims liability.

Financial Analysis of the State's Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Within the fund financial statements, the focus is on reporting major funds.

Governmental Funds

Exhibit 5 shows the components of fund balance for the State's various governmental funds as of June 30, 2018.

Exhibit 5
Governmental Fund Balances
As of June 30, 2018
(Expressed in Thousands)

| | General Fund | Departmental Program Services | Local Government Infrastructure | Department of Transportation Special Revenue | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------|---------------------|-------------------------------------|---------------------------------------|--|-----------------------------------|--------------------------------|
| Nonspendable..... | \$ 128,937 | \$ 14,550 | \$ — | \$ 7,982 | \$ 11,235 | \$ 162,704 |
| Restricted..... | 1,134,704 | 1,071,734 | 2,123,074 | 334,280 | 723,998 | 5,387,790 |
| Committed..... | 505,425 | 19,784 | — | 419,976 | 56,360 | 1,001,545 |
| Assigned..... | 252,357 | 18,354 | — | — | 4,218 | 274,929 |
| Unassigned..... | 2,186,155 | (678,731) | — | — | — | 1,507,424 |
| Totals..... | \$ 4,207,578 | \$ 445,691 | \$ 2,123,074 | \$ 762,238 | \$ 795,811 | \$ 8,334,392 |
| Change from prior year..... | \$ 465,511 | \$ 38,955 | \$ 39,197 | \$ 247,090 | \$ 41,495 | \$ 832,248 |
| Percentage change..... | 12.4% | 9.6% | 1.9% | 48.0% | 5.5% | 11.1% |

At June 30, 2018, total ending fund balance for the State's governmental funds was \$8.334 billion, which represents an increase of \$832.248 million, or 11.1%, from the prior year. This total contains an *unassigned* fund balance of \$1.507 billion. The total also includes \$2.186 billion reported by the General Fund as unrestricted, unassigned and available with no constraints for spending in the coming year. In addition, governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 64.6% of the total fund balance. The majority of remaining fund balance is *non-spendable*, *committed*, or *assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income tax of \$266.435 million, 6.5%; retail sales and use tax of \$108.769 million, 3.0%; corporate income tax of \$63.837 million, 18.8%; insurance tax of \$20.005 million, 11.8%; other taxes \$54.001 million, 10.1%; and \$129.309 million, 71.5%, in other revenues from the prior year. General Fund expenditures, which increased by \$335.602 million, 3.3%, were also below the total General Fund revenues indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens thus expanding services when possible. During the 2018 fiscal year, the total fund balance increased by \$38.955 million, or 9.6%, from the prior year. The primary source of revenue for the fund is federal revenues which account for \$7.876 billion or 91.5% of the total revenue reported. These grants are reimbursement-based, thereby creating a higher negative unassigned fund balance until the funds are received.

The *Local Government Infrastructure Fund* accounts for grants, loans and other financial assistance to local governments for infrastructure projects. Certain motor fuel taxes, federal funds, and bond proceeds are the fund's primary resources. The fund balance increased by \$39.197 million, or 1.9% during the 2018 fiscal year leaving a balance of \$2.123 billion at the end of the fiscal year. The increase in fund balance was a result of decreased project expenditures.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by \$247.090 million, or 48.0%, during the 2018 fiscal year leaving a balance of \$762.238 million at the end of the fiscal year. The increase in fund balance was primarily a result of the 2-cent gas tax increase for road projects and maintenance.

State of South Carolina

Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2018.

Exhibit 6
Proprietary Fund Net Position
As of June 30, 2018
(Expressed in Thousands)

| Fund Net Position | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Total Enterprise | Internal Service Funds |
|--|--------------------------------------|--------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Net investment in | | | | | |
| capital assets..... | \$ — | \$ — | \$ 218,157 | \$ 218,157 | \$ 91,551 |
| Restricted, expendable..... | 976,977 | 46,106 | — | 1,023,083 | 508,628 |
| Unrestricted..... | — | — | (75,472) | (75,472) | 17,035 |
| Totals..... | \$ 976,977 | \$ 46,106 | \$ 142,685 | \$ 1,165,768 | \$ 617,214 |
| Change from prior year..... | \$ 184,078 | \$ 61,792 | \$ 4,903 | \$ 250,773 | \$ 22,970 |
| Percentage change..... | 23.2% | 393.9% | 3.6% | 27.4% | 3.9% |

The State has two kinds of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are reported as business-type activities in the government-wide financial statements. Enterprise funds sell goods or services primarily to parties outside of State government.

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by \$184.078 million, or 23.2%, over the prior year. Decreases in the number of individuals eligible for and claiming State unemployment insurance benefits resulted in the improved net position and enabled the Fund to operate without obtaining additional advances from the Federal government since May 2011.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by \$61.792 million, or 393.9%, over the prior year. The increase was largely attributed to current year claims and changes in estimates remaining materially unchanged and assessment revenues increasing slightly over the previous fiscal year.

The net position of the State's *nonmajor enterprise funds* increased by \$4.903 million, or 3.6%, over the prior year. The increase in the State's *nonmajor enterprise funds'* net position was primarily due to an increase of \$2.088 million in charges for services and an increase of \$2.728 million within other nonoperating revenues within the *Palmetto Railways Fund*.

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. These funds experienced an increased net position of \$22.970 million, or 3.9%, in the 2018 fiscal year. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

Budgetary General Fund Highlights

Estimated revenues for the 2018 fiscal year were \$7.951 billion. Actual revenues at June 30, 2018, were \$173.551 million, or 2.2%, over the estimated revenue used in the fiscal year 2018 budget appropriations act and which also represented an increase in collections over the prior year of \$541.795 million, or 7.1%. Individual income and sales tax collections are the fund's major revenue sources. Individual income tax collections ended the year over the adjusted estimate by \$103.026 million and sales tax collections ended the year under the adjusted estimate by \$6.792 million.

Actual expenditures were \$229.201 million less than actual revenues. Also, expenditures were kept \$486.240 million under fiscal year 2018 adjusted appropriations. In addition, \$1.784 million of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2018 ended with a budgetary surplus. The State ended the year with a budgetary General Fund balance after reservation of \$1.187 billion.

See the *Required Supplementary Information* section on pages 183 through 190 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2018 fiscal year, the State had \$17.802 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of \$784.577 million, or 4.6%, over the previous accounting year (see *Exhibit 7*).

Exhibit 7
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

| | Governmental Activities | | Business-type Activities | | Totals—Primary Government | | Total Percentage Change |
|--|----------------------------|---------------------|-----------------------------|-------------------|---------------------------|---------------------|-------------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018-2017 |
| Land and improvements..... | \$ 2,158,958 | \$ 2,101,349 | \$ 177,050 | \$ 171,280 | \$ 2,336,008 | \$ 2,272,629 | 2.8% |
| Infrastructure..... | 10,466,504 | 10,410,358 | — | — | 10,466,504 | 10,410,358 | 0.5% |
| Buildings and improvements..... | 1,092,507 | 1,057,699 | 10,915 | 16,322 | 1,103,422 | 1,074,021 | 2.7% |
| Vehicles..... | 228,442 | 177,232 | 475 | 626 | 228,917 | 177,858 | 28.7% |
| Machinery and equipment..... | 184,469 | 168,967 | 3,385 | 4,294 | 187,854 | 173,261 | 8.4% |
| Works of art and historical treasures... | 9,519 | 8,243 | — | — | 9,519 | 8,243 | 15.5% |
| Construction in progress..... | 3,320,255 | 2,805,901 | 88,470 | 62,658 | 3,408,725 | 2,868,559 | 18.8% |
| Intangible assets..... | 60,379 | 31,704 | 917 | 1,035 | 61,296 | 32,739 | 87.2% |
| Total..... | \$17,521,033 | \$16,761,453 | \$ 281,212 | \$ 256,215 | \$17,802,245 | \$17,017,668 | 4.6% |

Growth in capital asset investment occurred mostly in infrastructure. The construction in progress growth primarily relates to new and on-going infrastructure (roads and bridges) projects within the Department of Transportation Special Revenue Fund. The Department of Transportation recognized \$759.412 million in capital expenditures related to infrastructure and \$205.772 million in depreciation charges for infrastructure to net an increase of \$553.640 million, excluding any current year retirements of infrastructure.

See Note 6 in the notes to the financial statements on page 102 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2018, the State had \$2.452 billion in bonds and notes outstanding—a decrease of \$229.350 million, or a 8.6% decline from the previous year (see *Exhibit 8*).

Exhibit 8
Outstanding Bonds and Notes
As of June 30 for the Years Indicated
(Expressed in Thousands)

| | Governmental Activities | | Business-type Activities | | Totals—Primary Government | | Total Percentage Change |
|-------------------------------------|----------------------------|---------------------|-----------------------------|-----------------|---------------------------|---------------------|-------------------------------|
| | (as restated) | | | | (as restated) | | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018-2017 |
| Backed by the State: | | | | | | | |
| General obligation bonds..... | \$ 564,811 | \$ 756,172 | \$ — | \$ — | \$ 564,811 | \$ 756,172 | (25.3%) |
| Backed by Specific Revenues: | | | | | | | |
| Revenue bonds and notes..... | 146,154 | 131,241 | 12,055 | 5,730 | 158,209 | 136,971 | 15.5% |
| Infrastructure Bank bonds..... | 1,729,005 | 1,788,232 | — | — | 1,729,005 | 1,788,232 | (3.3%) |
| Total..... | \$2,439,970 | \$ 2,675,645 | \$ 12,055 | \$ 5,730 | \$2,452,025 | \$ 2,681,375 | (8.6%) |

The reduction of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of \$235.675 million, or 8.8%. Activity in the debt reported by the governmental activities included the issuance of \$27.954 million in notes payable and there was also a \$6.500 million issuance of notes in business-type activities.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as “AAA” and Moody’s Investors Service rated them as “Aaa” during the fiscal year ended June 30, 2018, the highest rating that these services assign. The State’s bond rating from Standard & Poor’s was “AA+” during the same period, its second highest rating.

The State limits the amount of annual payments for principal and interest (or annual debt service) on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2018, the State legally could issue additional bonds as long as the new debt would not increase the State’s annual principal and interest payments by more than the following amounts: \$52.408 million for highway bonds, \$401.349 million for general obligation bonds (excluding institution and highway bonds), \$33.368 million for economic development bonds, and \$18.482 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements on page 136 of this report for additional information about the State’s long-term debt.

Economic Factors and Next Year’s Budget

The “Rainy Day Account”

At June 30, 2018, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of \$363.552 million which increased from the prior year by \$15.533 million appropriated by the 2017-2018 Appropriations Act. The balance is fully funded in accordance with the State’s Constitution. The State’s Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. For the fiscal year 2018, State law defines full funding for the reserve as 5.0% of the Budgetary General Fund’s revenues of the prior fiscal year.

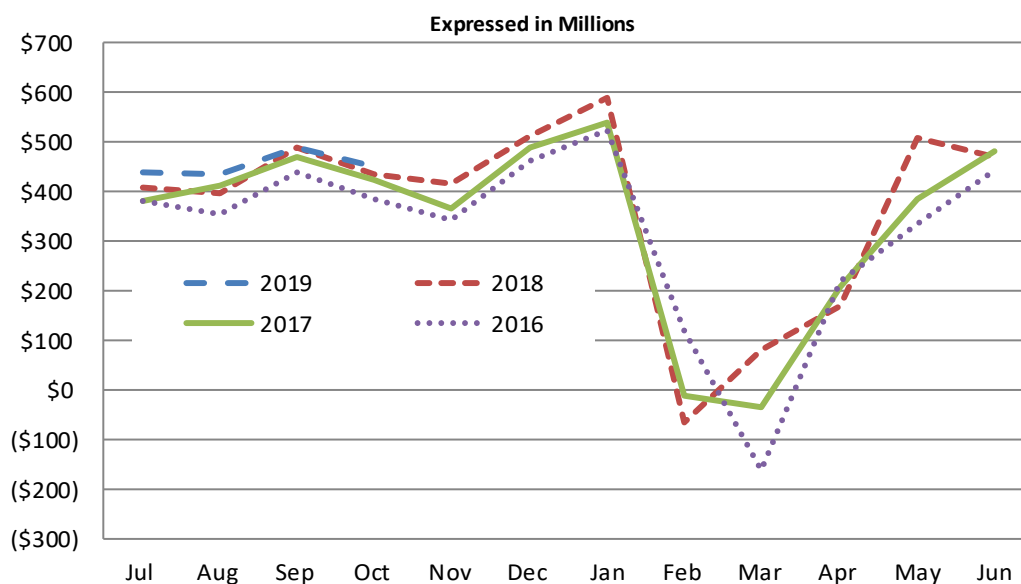
Budgetary General Fund for the 2018-2019 Accounting Year

For fiscal year 2019, the Board of Economic Advisors estimated General Fund cash basis revenue of \$8.221 billion, which is \$96.768 million, or 1.2%, more than fiscal year 2018 actual revenue collections. The State’s Board of Economic Advisors November 2018 estimate reflects an additional increase of \$232.721 million, or 2.9%, over the original revenue estimate for fiscal year 2019.

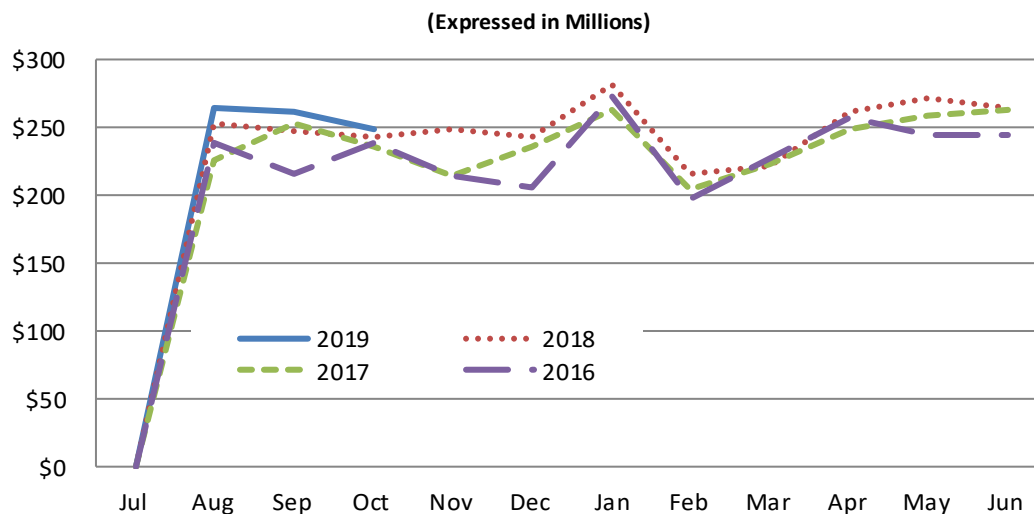
Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2019 were \$2.962 billion, an increase of \$210.874 million, or 7.7%, over the same period for fiscal year 2018. Total individual income taxes collected have increased by \$79.310 million, or 6.1%, over the same period in the prior year. Sales taxes have also increased by \$30.076 million, or 6.0%, from the first four months of fiscal year 2018.

Individual Income Taxes



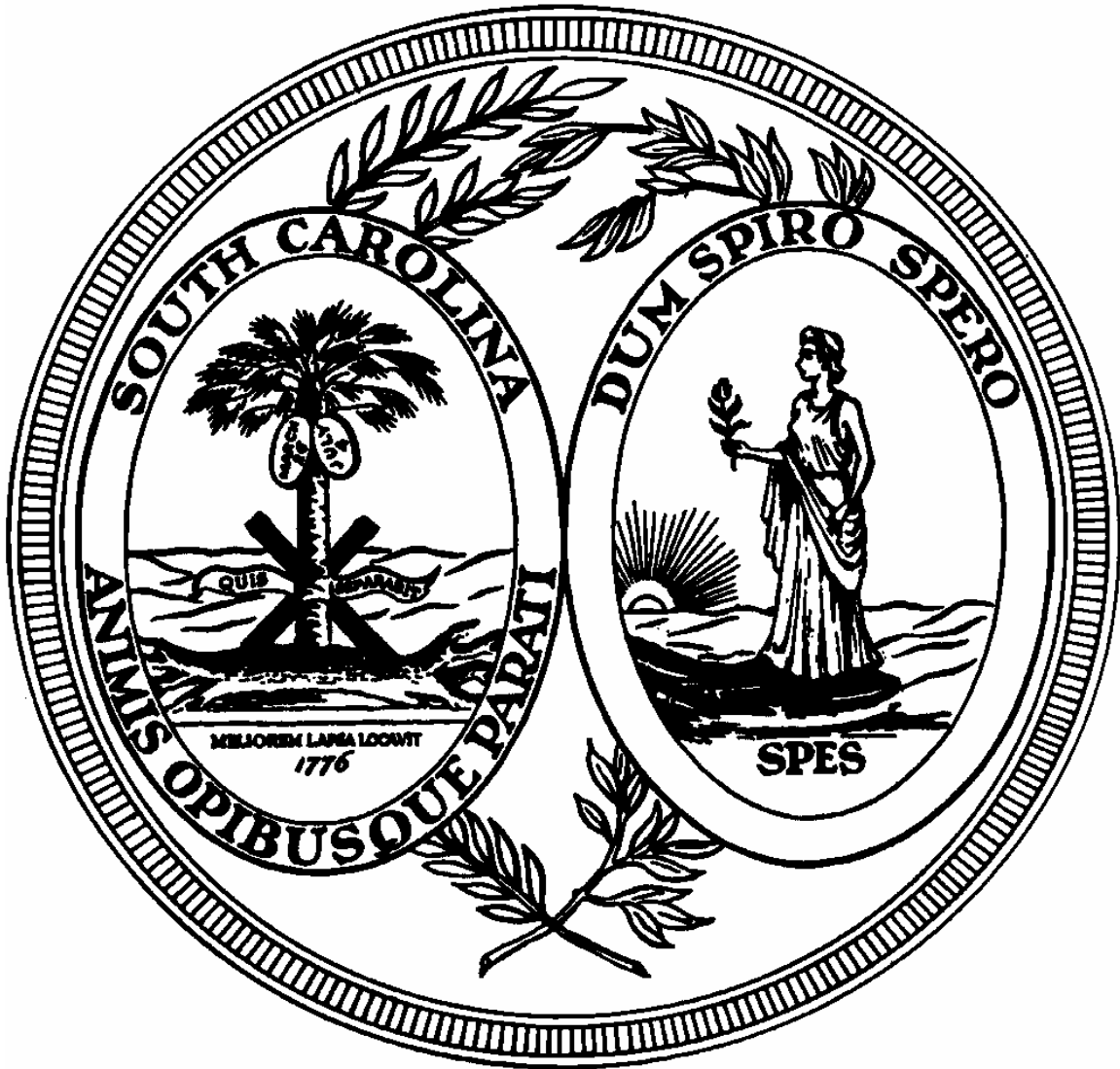
Sales Tax



Requests for Information

The primary purpose of this financial report is to provide South Carolina's citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Please address any questions concerning information in this report to:

Office of the Comptroller General
ATTN: Chief of Staff
1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201



**BASIC
FINANCIAL STATEMENTS**

Statement of Net Position

June 30, 2018

(Expressed in Thousands)

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|--|----------------------------|-----------------------------|---------------|--------------------|
| | Governmental Activities | Business-type Activities | Totals | |
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 3,852,520 | \$ 948,262 | \$ 4,800,782 | \$ 3,428,040 |
| Investments..... | 4,359,114 | 291,340 | 4,650,454 | 1,848,103 |
| Invested securities lending collateral..... | 102,620 | 225 | 102,845 | 1,202 |
| Receivables, net: | | | | |
| Accounts..... | 591,041 | 12,054 | 603,095 | 445,598 |
| Contributions..... | 73 | — | 73 | 125,653 |
| Participants..... | — | 915 | 915 | — |
| Accrued interest..... | 67,943 | 1,485 | 69,428 | 11,078 |
| Income taxes..... | 599,075 | — | 599,075 | — |
| Sales and other taxes..... | 748,978 | — | 748,978 | — |
| Student accounts..... | 175 | — | 175 | 57,815 |
| Patient accounts..... | 16,860 | — | 16,860 | 261,706 |
| Loans and notes..... | 713,298 | — | 713,298 | 93,034 |
| Assessments..... | — | 115,623 | 115,623 | — |
| Due from Federal government and other grantors..... | 818,631 | — | 818,631 | 160,171 |
| Internal balances..... | 53,954 | (53,954) | — | — |
| Due from component units..... | 43,327 | — | 43,327 | — |
| Due from primary government..... | — | — | — | 55,315 |
| Inventories..... | 47,621 | 2,131 | 49,752 | 602,835 |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | 802,341 | 273 | 802,614 | 1,145,612 |
| Investments..... | — | — | — | 2,073,283 |
| Accounts receivable..... | 95,301 | — | 95,301 | 493 |
| Loans receivable..... | — | — | — | 634,080 |
| Other..... | 64,800 | — | 64,800 | 19,430 |
| Prepaid items..... | 39,305 | 536 | 39,841 | 84,685 |
| Other assets..... | 422 | — | 422 | 463,215 |
| Regulatory assets..... | — | — | — | 4,248,478 |
| Other assets- asset retirement obligation..... | — | — | — | 923,912 |
| Investment in joint venture..... | — | — | — | 6,587 |
| Capital assets-nondepreciable..... | 5,437,770 | 265,356 | 5,703,126 | 2,876,116 |
| Capital assets-depreciable, net..... | 12,083,263 | 15,856 | 12,099,119 | 9,417,229 |
| Total assets..... | \$ 30,538,432 | \$ 1,600,102 | \$ 32,138,534 | \$ 28,983,670 |
| DEFERRED OUTFLOWS OF RESOURCES..... | | | | |
| | \$ 989,170 | \$ 3,836 | \$ 993,006 | \$ 1,167,384 |
| LIABILITIES | | | | |
| Accounts payable | \$ 750,477 | \$ 3,155 | \$ 753,632 | \$ 534,508 |
| Accrued salaries and related expenses..... | 169,750 | 1,018 | 170,768 | 220,625 |
| Accrued interest payable..... | 32 | 97 | 129 | 77,049 |
| Retainages payable..... | 3,929 | — | 3,929 | 30,433 |
| Tax refunds payable..... | 863,395 | 28,545 | 891,940 | — |
| Payables-aid to individuals/families..... | 10,437 | — | 10,437 | — |
| Prizes payable..... | — | — | — | 34,936 |
| Unemployment benefits payable..... | — | 4,042 | 4,042 | — |
| Intergovernmental payables..... | 405,999 | 5,084 | 411,083 | 638 |
| Tuition benefits payable..... | — | 89,491 | 89,491 | — |
| Due to component units..... | 55,315 | — | 55,315 | — |
| Due to primary government..... | — | — | — | 43,327 |
| Due to fiduciary funds..... | 11,173 | — | 11,173 | — |
| Unearned revenues and asset retirement obligation..... | 527,572 | 3,497 | 531,069 | 943,473 |
| Deposits..... | 139 | 300 | 439 | 11,808 |
| Amounts held in custody for others..... | — | — | — | 166,101 |
| Securities lending collateral..... | 102,620 | 225 | 102,845 | 1,202 |
| Liabilities payable from restricted assets: | | | | |
| Accrued interest payable..... | 18,424 | — | 18,424 | — |
| Other..... | — | 135 | 135 | 15,313 |
| Other liabilities | 391,543 | 35 | 391,578 | 649,595 |
| Long-term liabilities: | | | | |
| Due within one year..... | 974,521 | 29,888 | 1,004,409 | 298,165 |
| Due in more than one year..... | 9,272,682 | 272,149 | 9,544,831 | 20,513,323 |
| Total liabilities..... | \$ 13,558,008 | \$ 437,661 | \$ 13,995,669 | \$ 23,540,496 |
| DEFERRED INFLOWS OF RESOURCES..... | | | | |
| | \$ 400,609 | \$ 509 | \$ 401,118 | \$ 1,574,203 |

Exhibit A-1

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Totals | |
| NET POSITION | | | | |
| Net investment in capital assets..... | \$ 15,079,318 | \$ 218,157 | \$ 15,297,475 | \$ 5,828,350 |
| Restricted: | | | | |
| Expendable: | | | | |
| General government..... | 918,343 | — | 918,343 | — |
| Education..... | 327,009 | — | 327,009 | 983,052 |
| Health..... | 1,282,537 | — | 1,282,537 | — |
| Transportation..... | 1,659,656 | — | 1,659,656 | 1,461 |
| Capital projects..... | 114,076 | — | 114,076 | 474,035 |
| Debt service..... | 813,504 | — | 813,504 | 189,184 |
| Loan programs..... | — | — | — | 443,255 |
| Waste management..... | 172,272 | — | 172,272 | — |
| Insurance programs..... | 508,628 | 46,106 | 554,734 | — |
| Administration of justice..... | 109,708 | — | 109,708 | — |
| Unemployment compensation benefits..... | — | 976,977 | 976,977 | — |
| Other..... | — | — | — | 59,889 |
| Nonexpendable: | | | | |
| Education..... | 11,234 | — | 11,234 | 1,311,759 |
| Other..... | 151,470 | — | 151,470 | — |
| Unrestricted..... | (3,578,770) | (75,472) | (3,654,242) | (4,254,630) |
| Total net position..... | \$ 17,568,985 | \$ 1,165,768 | \$ 18,734,753 | \$ 5,036,355 |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | | Program Revenues | | | |
|--|----------------------|---------------------|---------------------|-------------------|------------------------|
| | | | Operating | Capital | Net |
| | | Charges for | Grants and | Grants and | Revenues |
| | Expenses | Services | Contributions | Contributions | (Expenses) |
| Functions | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government..... | \$ 6,819,685 | \$ 3,055,388 | \$ 1,210,191 | \$ 29,713 | \$ (2,524,393) |
| Education..... | 4,745,126 | 44,872 | 976,759 | 4,256 | (3,719,239) |
| Health and environment..... | 8,156,138 | 197,403 | 5,289,976 | 84,098 | (2,584,661) |
| Social services..... | 1,695,379 | 9,457 | 1,436,185 | — | (249,737) |
| Administration of justice..... | 986,839 | 60,486 | 9,193 | 973 | (916,187) |
| Resources and economic development..... | 393,575 | 72,664 | 149,903 | 4,295 | (166,713) |
| Transportation..... | 1,620,126 | 287,708 | 181,618 | 854,499 | (296,301) |
| Unallocated interest expense..... | 18,335 | — | — | — | (18,335) |
| Total governmental activities..... | 24,435,203 | 3,727,978 | 9,253,825 | 977,834 | (10,475,566) |
| Business-type activities: | | | | | |
| Unemployment compensation benefits..... | 182,537 | 344,552 | 5,195 | — | 167,210 |
| Second Injury..... | 285 | 60,291 | — | — | 60,006 |
| Other enterprise activities..... | 60,142 | 53,758 | 465 | — | (5,919) |
| Total business-type activities..... | 242,964 | 458,601 | 5,660 | — | 221,297 |
| Total primary government..... | \$ 24,678,167 | \$ 4,186,579 | \$ 9,259,485 | \$ 977,834 | \$ (10,254,269) |
| Component units: | | | | | |
| Public Service Authority..... | 1,678,017 | 1,756,983 | 13,656 | — | 92,622 |
| Medical University of South Carolina..... | 2,426,921 | 2,198,874 | 117,667 | 37,657 | (72,723) |
| University of South Carolina..... | 1,339,291 | 1,069,687 | 158,619 | 27,341 | (83,644) |
| Clemson University..... | 1,042,625 | 745,838 | 188,647 | 18,424 | (89,716) |
| State Ports Authority..... | 531,324 | 252,013 | 6,491 | 293,620 | 20,800 |
| Housing Authority..... | 224,766 | 37,232 | 207,545 | — | 20,011 |
| Lottery Commission..... | 1,741,956 | 1,753,879 | 11 | — | 11,934 |
| Nonmajor component units..... | 1,934,870 | 1,159,693 | 467,235 | 81,455 | (226,487) |
| Total component units..... | \$ 10,919,770 | \$ 8,974,199 | \$ 1,159,871 | \$ 458,497 | \$ (327,203) |

Exhibit A-2

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in net position: | | | | |
| Net revenues (expenses) | \$ (10,475,566) | \$ 221,297 | \$ (10,254,269) | \$ (327,203) |
| General revenues: | | | | |
| Taxes: | | | | |
| Individual income..... | 4,408,772 | — | 4,408,772 | — |
| Retail sales and use..... | 4,688,789 | — | 4,688,789 | — |
| Corporate income..... | 404,164 | — | 404,164 | — |
| Gas and motor vehicle..... | 1,084,630 | — | 1,084,630 | — |
| Insurance..... | 191,016 | — | 191,016 | — |
| Hospital..... | 260,715 | — | 260,715 | — |
| Other..... | 711,502 | — | 711,502 | — |
| Total taxes..... | 11,749,588 | — | 11,749,588 | — |
| Unrestricted grants and contributions..... | 38 | — | 38 | — |
| Unrestricted investment income..... | 160,636 | 34,132 | 194,768 | — |
| State Appropriations..... | — | — | — | 706,114 |
| Tobacco legal settlement..... | 81,605 | — | 81,605 | — |
| Other revenues..... | 150,635 | 4,545 | 155,180 | — |
| Additions to endowments..... | — | — | — | 50,735 |
| Transfers—internal activities..... | 9,201 | (9,201) | — | — |
| Total general revenues, additions to endowments, and transfers..... | 12,151,703 | 29,476 | 12,181,179 | 756,849 |
| Change in net position..... | 1,676,137 | 250,773 | 1,926,910 | 429,646 |
| Net position at beginning of year, as restated..... | 15,892,848 | 914,995 | 16,807,843 | 4,606,709 |
| Net position at end of year..... | \$ 17,568,985 | \$ 1,165,768 | \$ 18,734,753 | \$ 5,036,355 |

The Notes to the Financial Statements are an integral part of this statement.

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2018

(Expressed in Thousands)

| | General Fund | Departmental Program Services | Local Government Infrastructure |
|--|---------------------|-------------------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 1,252,156 | \$ 148,578 | \$ 150,934 |
| Investments..... | 3,044,435 | 98,293 | 367,771 |
| Invested securities lending collateral..... | 100,077 | 91 | 975 |
| Receivables, net: | | | |
| Accounts..... | 78,634 | 291,380 | — |
| Contributions..... | 8 | 65 | — |
| Accrued interest..... | 50,494 | 614 | 5,436 |
| Income taxes..... | 599,075 | — | — |
| Sales and other taxes..... | 607,619 | 10,204 | — |
| Student accounts..... | 175 | — | — |
| Patient accounts..... | 13,680 | 3,180 | — |
| Loans and notes..... | 38,968 | 429 | 672,038 |
| Due from Federal government and other grantors..... | 4,933 | 694,674 | — |
| Due from other funds..... | 64,775 | 9,662 | 10,356 |
| Due from component units..... | 7,411 | — | — |
| Interfund receivables..... | 51,142 | 1,550 | 177,450 |
| Inventories..... | 29,730 | 12,468 | — |
| Restricted assets: | | | |
| Cash and cash equivalents..... | 8,351 | — | 779,452 |
| Accounts receivable, net..... | — | — | 95,301 |
| Other..... | — | — | 29,300 |
| Prepaid items..... | 12,281 | 2,082 | — |
| Other assets..... | — | — | — |
| Total assets..... | \$ 5,963,944 | \$ 1,273,270 | \$ 2,289,013 |
| LIABILITIES | | | |
| Liabilities: | | | |
| Accounts payable..... | 222,420 | 338,697 | 8,677 |
| Accrued salaries and related expenditures..... | 107,129 | 33,443 | 93 |
| Retainages payable..... | 222 | 653 | — |
| Tax refunds payable..... | 863,346 | — | — |
| Payable—aid to individuals/families..... | 1,667 | 8,770 | — |
| Intergovernmental payables..... | 94,608 | 182,550 | 26,123 |
| Due to other funds..... | 77,431 | 61,741 | 1,907 |
| Due to component units..... | 21,265 | 25,782 | — |
| Interfund payables..... | 1,950 | — | — |
| Unearned revenues..... | 43,694 | 110,734 | 67,911 |
| Securities lending collateral..... | 100,077 | 91 | 975 |
| Other liabilities..... | 203,545 | 3,066 | — |
| Total liabilities..... | 1,737,354 | 765,527 | 105,686 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues..... | 3,779 | 62,052 | 60,253 |
| Deferred nonexchange revenues..... | 15,233 | — | — |
| Total deferred inflows of resources..... | 19,012 | 62,052 | 60,253 |
| FUND BALANCES | | | |
| Nonspendable..... | 128,937 | 14,550 | — |
| Restricted..... | 1,134,704 | 1,071,734 | 2,123,074 |
| Committed..... | 505,425 | 19,784 | — |
| Assigned..... | 252,357 | 18,354 | — |
| Unassigned..... | 2,186,155 | (678,731) | — |
| Total fund balances..... | 4,207,578 | 445,691 | 2,123,074 |
| Total liabilities and fund balances..... | \$ 5,963,944 | \$ 1,273,270 | \$ 2,289,013 |

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

| Department of Transportation Special Revenue | Nonmajor Governmental Funds | Totals |
|--|-----------------------------------|----------------------|
| \$ 1,072,186 | \$ 322,486 | \$ 2,946,340 |
| — | 391,041 | 3,901,540 |
| 694 | 370 | 102,207 |
| 6,250 | 24,644 | 400,908 |
| — | — | 73 |
| 3,905 | 2,639 | 63,088 |
| — | — | 599,075 |
| 9,702 | 121,453 | 748,978 |
| — | — | 175 |
| — | — | 16,860 |
| 1,863 | — | 713,298 |
| 118,912 | 112 | 818,631 |
| 48,575 | — | 133,368 |
| 327 | 22,183 | 29,921 |
| — | — | 230,142 |
| 2,595 | — | 44,793 |
| 14,538 | — | 802,341 |
| — | — | 95,301 |
| — | 35,500 | 64,800 |
| 5,146 | 1 | 19,510 |
| 241 | — | 241 |
| \$ 1,284,934 | \$ 920,429 | \$ 11,731,590 |
| 165,566 | \$ 9,818 | \$ 745,178 |
| 25,079 | 263 | 166,007 |
| — | 3,045 | 3,920 |
| — | 49 | 863,395 |
| — | — | 10,437 |
| — | 102,717 | 405,998 |
| 12,948 | 88 | 154,115 |
| — | 8,268 | 55,315 |
| 177,450 | — | 179,400 |
| 140,475 | — | 362,814 |
| 694 | 370 | 102,207 |
| — | — | 206,611 |
| 522,212 | 124,618 | 3,255,397 |
| 484 | — | 126,568 |
| — | — | 15,233 |
| 484 | — | 141,801 |
| 7,982 | 11,235 | 162,704 |
| 334,280 | 723,998 | 5,387,790 |
| 419,976 | 56,360 | 1,001,545 |
| — | 4,218 | 274,929 |
| — | — | 1,507,424 |
| 762,238 | 795,811 | 8,334,392 |
| \$ 1,284,934 | \$ 920,429 | \$ 11,731,590 |

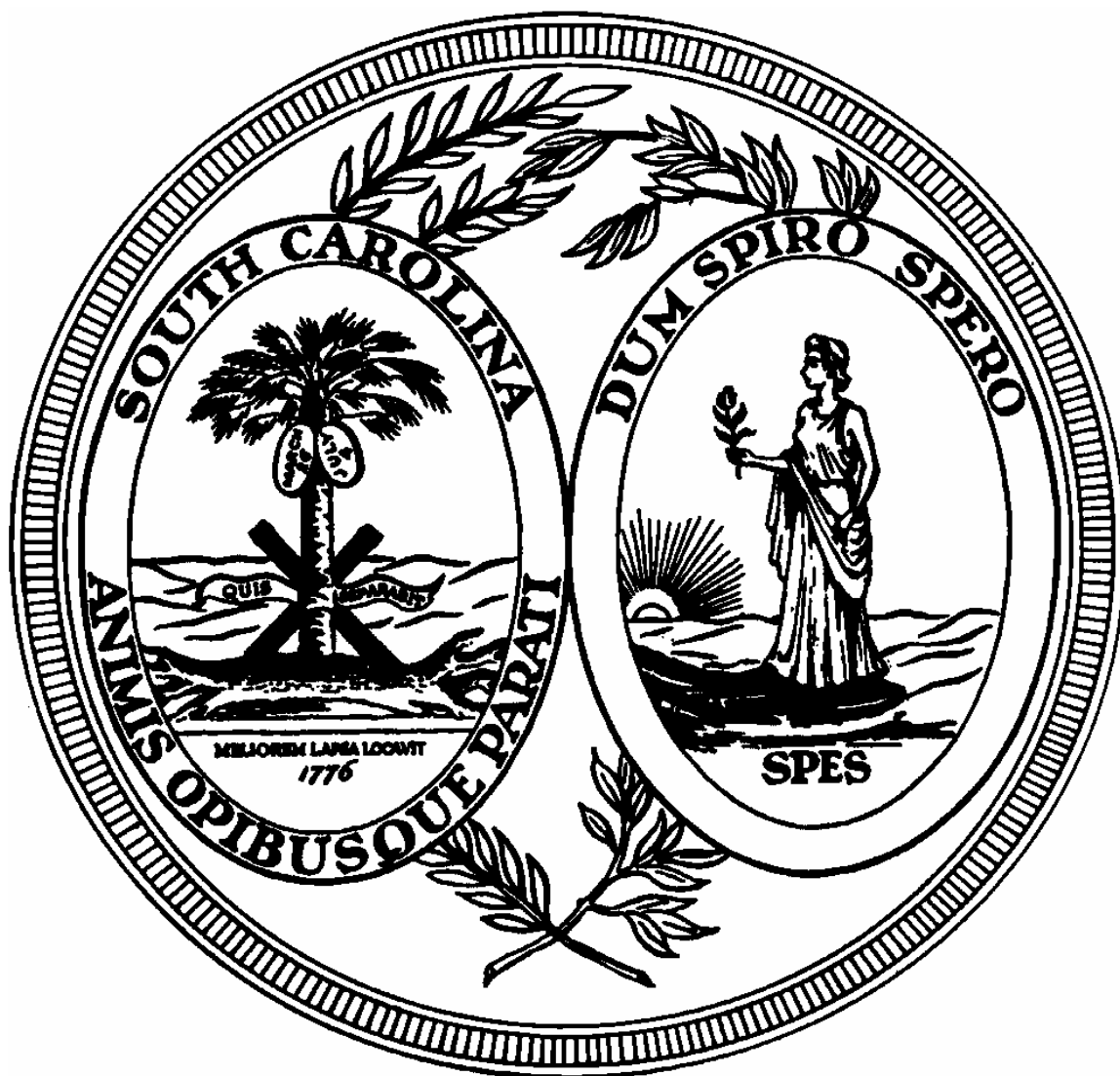
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2018
(Expressed in Thousands)

| | |
|---|-----------------------------|
| Total fund balances—governmental funds..... | \$ 8,334,392 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds: | |
| Non-depreciable capital assets..... | \$ 5,431,431 |
| Depreciable capital assets..... | 18,222,517 |
| Accumulated depreciation..... | <u>(6,246,953)</u> |
| Total capital assets..... | 17,406,995 |
| Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds: | |
| Hedging portion of derivative instruments | 14,736 |
| Deferred loss on refunding bonds..... | 96,890 |
| Pension and OPEB contributions made after the measurement date..... | 345,176 |
| Difference between expected and actual retirement plan experience..... | 20,144 |
| Net difference between projected and actual earnings on investments..... | 117,985 |
| Changes in proportion and differences between contributions and proportionate share of plan contributions..... | 117,821 |
| Changes in assumptions..... | 256,737 |
| Deferred inflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds: | |
| Difference between expected and actual retirement plan experience..... | (7,980) |
| Changes in proportion and differences between contributions and proportionate share of plan contributions..... | (108,896) |
| Changes in assumptions..... | (262,298) |
| Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows of resources..... | 126,568 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position..... | 617,214 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | |
| Bonds payable..... | (2,334,925) |
| Notes payable..... | (82,638) |
| Accrued interest on bonds..... | (18,424) |
| Capital leases..... | (1,665) |
| Net pension liability..... | (3,868,781) |
| Net OPEB liability..... | (2,787,580) |
| Compensated absences..... | (183,494) |
| Policy claims..... | (34,207) |
| Other..... | <u>(194,785)</u> |
| Total long-term liabilities..... | <u>(9,506,499)</u> |
| Net position of governmental activities..... | <u>\$ 17,568,985</u> |

The Notes to the Financial Statements are an integral part of this statement.



Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | General Fund | Departmental Program Services | Local Government Infrastructure |
|---|---------------------|-------------------------------------|---------------------------------------|
| Revenues: | | | |
| Taxes: | | | |
| Individual income..... | \$ 4,385,106 | \$ — | \$ 23,666 |
| Retail sales and use..... | 3,736,072 | 2,336 | — |
| Corporate Income..... | 404,164 | — | — |
| Gas and motor vehicle..... | — | — | — |
| Insurance..... | 188,979 | 2,037 | — |
| Hospital..... | 260,715 | — | — |
| Other..... | 591,148 | 117,471 | — |
| Licenses, fees, and permits..... | 224,966 | 47,275 | 181,857 |
| Interest and other investment income..... | 57,382 | 44,223 | 34,338 |
| Federal..... | 59,600 | 7,875,987 | 20,232 |
| Local and private grants..... | 9,296 | 57,253 | — |
| Departmental services..... | 728,955 | 72,664 | 501 |
| Contributions..... | 21,504 | 74,182 | 57,786 |
| Fines and penalties..... | 74,035 | 5,746 | — |
| Tobacco legal settlement..... | — | — | — |
| Other..... | 310,100 | 310,439 | 365 |
| Total revenues..... | 11,052,022 | 8,609,613 | 318,745 |
| Expenditures: | | | |
| Current: | | | |
| General government..... | 562,958 | 51,024 | — |
| Education..... | 561,056 | 182,785 | — |
| Health and environment..... | 2,974,555 | 5,765,646 | — |
| Social services..... | 248,522 | 1,425,286 | — |
| Administration of justice..... | 865,050 | 26,360 | — |
| Resources and economic development..... | 171,047 | 122,851 | 19,167 |
| Transportation..... | 2,013 | 3,173 | 15,574 |
| Capital outlay..... | 84,634 | 52,276 | — |
| Debt service: | | | |
| Principal retirement..... | 135,033 | 1,011 | 73,660 |
| Interest and fiscal charges..... | 31,927 | 88 | 80,456 |
| Intergovernmental..... | 4,885,880 | 977,440 | 110,019 |
| Total expenditures..... | 10,522,675 | 8,607,940 | 298,876 |
| Excess of revenues over (under) expenditures..... | 529,347 | 1,673 | 19,869 |
| Other financing sources (uses): | | | |
| Bonds and notes issued..... | 10,530 | — | — |
| Refunding bonds issued..... | — | — | 188,725 |
| Premiums on bonds issued..... | — | — | 30,041 |
| Capital leases..... | 1,517 | 302 | — |
| Payment to refunded bond escrow agent..... | — | — | (203,580) |
| Transfers in..... | 109,068 | 36,980 | 4,142 |
| Transfers out..... | (184,951) | — | — |
| Total other financing sources (uses)..... | (63,836) | 37,282 | 19,328 |
| Net change in fund balances..... | 465,511 | 38,955 | 39,197 |
| Fund balances at beginning of year, as restated..... | 3,742,067 | 406,736 | 2,083,877 |
| Fund balances at end of year..... | \$ 4,207,578 | \$ 445,691 | \$ 2,123,074 |

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

| Department of Transportation Special Revenue | Nonmajor Governmental Funds | Totals |
|--|-----------------------------------|---------------------|
| \$ — | \$ — | \$ 4,408,772 |
| — | 950,381 | 4,688,789 |
| — | — | 404,164 |
| 1,084,630 | — | 1,084,630 |
| — | — | 191,016 |
| — | — | 260,715 |
| — | 2,883 | 711,502 |
| — | 63,690 | 517,788 |
| 3,764 | 4,575 | 144,282 |
| 986,500 | 1,962 | 8,944,281 |
| — | — | 66,549 |
| 142,333 | 12,525 | 956,978 |
| — | 435,718 | 589,190 |
| — | 88,170 | 167,951 |
| — | 81,605 | 81,605 |
| 13,707 | 3,879 | 638,490 |
| 2,230,934 | 1,645,388 | 23,856,702 |
| — | 74,469 | 688,451 |
| — | 371,020 | 1,114,861 |
| — | 80,323 | 8,820,524 |
| — | — | 1,673,808 |
| — | 77 | 891,487 |
| — | 285 | 313,350 |
| 1,128,574 | — | 1,149,334 |
| 759,412 | 116,644 | 1,012,966 |
| 45,075 | 4 | 254,783 |
| 14,411 | 1 | 126,883 |
| 90,964 | 962,879 | 7,027,182 |
| 2,038,436 | 1,605,702 | 23,073,629 |
| 192,498 | 39,686 | 783,073 |
| 4,535 | — | 15,065 |
| — | — | 188,725 |
| — | — | 30,041 |
| — | 28 | 1,847 |
| — | — | (203,580) |
| 50,057 | 180,595 | 380,842 |
| — | (178,814) | (363,765) |
| 54,592 | 1,809 | 49,175 |
| 247,090 | 41,495 | 832,248 |
| 515,148 | 754,316 | 7,502,144 |
| \$ 762,238 | \$ 795,811 | \$ 8,334,392 |

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | | |
|---|--------------|----------------|
| Net change in fund balances—total governmental funds..... | \$ | 832,248 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are: | | |
| Capital outlay..... | \$ 1,012,966 | |
| Depreciation expense..... | (351,881) | |
| Excess of capital outlay over depreciation expense..... | | 661,085 |
| Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources..... | | 120,885 |
| Loss on disposals of capital assets are reported as a expense in the Statement of Activities..... | | (19,941) |
| Bond, note, and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from: | | |
| Bonds, notes, and capital leases issued..... | (205,637) | |
| Bond premiums net of discounts..... | (30,041) | |
| Net bond and note proceeds..... | | (235,678) |
| Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position..... | | (4,410) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of: | | |
| Bond, note, and capital lease retirement..... | 254,783 | |
| Payment to refunded bond escrow agent..... | 203,580 | |
| Total long-term debt repayment..... | | 458,363 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is included in governmental activities in the Statement of Activities, net of restatements..... | | 22,970 |
| Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds. | | |
| Decrease in unearned revenues..... | | 17,929 |

Exhibit B-2a

Decrease in general operating expense due to the increase in pension expense for the amortization
of deferred outflows and inflows of resources related to the net pension liability (179,990)

Certain items reported in the Statement of Activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. These
consist of changes in the following assets and liabilities:

| | | |
|--|-----------|----------------------------|
| Accrued interest payable..... | \$ 2,786 | |
| Unamortized bond premiums and discounts..... | 19,279 | |
| Net pension liability..... | (224,266) | |
| Net OPEB liability..... | 189,855 | |
| Compensated absences payable..... | 41,745 | |
| Policy claims payable..... | 1,298 | |
| Other long-term liabilities..... | (28,021) | |
| Total additional expenses..... | | <u>2,676</u> |
| Change in net position of governmental activities..... | | <u><u>\$ 1,676,137</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2018

(Expressed in Thousands)

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|---|------------------------------|------------------|------------------------|------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents..... | \$ 880,643 | \$ 47,732 | \$ 19,887 | \$ 948,262 | \$ 906,180 |
| Investments..... | 11,856 | 219,978 | 59,506 | 291,340 | 1,741 |
| Invested securities lending collateral..... | 11 | 213 | 1 | 225 | 413 |
| Receivables, net: | | | | | |
| Accounts..... | 9,325 | 1 | 2,728 | 12,054 | 189,812 |
| Participants..... | — | — | 312 | 312 | — |
| Accrued interest..... | 78 | 1,353 | 54 | 1,485 | 4,855 |
| Assessments..... | 115,623 | — | — | 115,623 | — |
| Due from other funds..... | — | — | — | — | 13,788 |
| Due from component units..... | — | — | — | — | 13,406 |
| Inventories..... | — | — | 2,131 | 2,131 | 2,828 |
| Restricted assets: | | | | | |
| Cash and cash equivalents..... | — | — | 238 | 238 | — |
| Prepaid items..... | — | — | 536 | 536 | 19,784 |
| Other current assets..... | — | — | — | — | — |
| Total current assets..... | 1,017,536 | 269,277 | 85,393 | 1,372,206 | 1,152,807 |
| Long-term assets: | | | | | |
| Investments..... | — | — | — | — | 455,833 |
| Receivables, net: | | | | | |
| Accounts..... | — | — | — | — | 321 |
| Participants..... | — | — | 603 | 603 | — |
| Interfund receivables..... | — | — | — | — | 400 |
| Restricted assets: | | | | | |
| Cash and cash equivalents..... | — | — | 35 | 35 | — |
| Prepaid items..... | — | — | — | — | 11 |
| Other long-term assets..... | — | — | — | — | 181 |
| Non-depreciable capital assets..... | — | — | 265,356 | 265,356 | 6,339 |
| Depreciable capital assets, net..... | — | — | 15,856 | 15,856 | 107,699 |
| Total long-term assets..... | — | — | 281,850 | 281,850 | 570,784 |
| Total assets..... | 1,017,536 | 269,277 | 367,243 | 1,654,056 | 1,723,591 |
| DEFERRED OUTFLOWS OF RESOURCES..... | \$ — | \$ — | \$ 3,836 | \$ 3,836 | \$ 19,681 |

Statement of Cash Flows**Exhibit B-3**

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|---|------------------------------|------------------|------------------------|----------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable..... | \$ 8 | \$ 21 | \$ 3,126 | \$ 3,155 | \$ 5,299 |
| Accrued salaries and related expenses..... | — | — | 1,018 | 1,018 | 3,743 |
| Accrued interest payable..... | — | — | 97 | 97 | 32 |
| Retainages payable..... | — | — | — | — | 9 |
| Tax refunds payable..... | 28,545 | — | — | 28,545 | — |
| Unemployment benefits payable..... | 4,042 | — | — | 4,042 | — |
| Intergovernmental payables..... | 5,084 | — | — | 5,084 | 1 |
| Tuition benefits payable..... | — | — | 14,118 | 14,118 | — |
| Policy claims..... | — | 23,598 | 5,801 | 29,399 | 633,340 |
| Due to other funds..... | 2,869 | — | 85 | 2,954 | 1,260 |
| Unearned revenues..... | — | — | 3,497 | 3,497 | 164,758 |
| Deposits..... | — | — | 300 | 300 | 139 |
| Securities lending collateral..... | 11 | 213 | 1 | 225 | 413 |
| Notes payable..... | — | — | — | — | 5,830 |
| Revenue bonds payable..... | — | — | 180 | 180 | — |
| Capital leases payable..... | — | — | — | — | 25 |
| Compensated absences payable..... | — | — | 309 | 309 | 2,311 |
| Other current liabilities..... | — | — | 35 | 35 | 3,056 |
| Total current liabilities..... | 40,559 | 23,832 | 28,567 | 92,958 | 820,216 |
| Long-term liabilities: | | | | | |
| Tuition benefits payable..... | — | — | 75,373 | 75,373 | — |
| Policy claims..... | — | 199,339 | 41,019 | 240,358 | 157,413 |
| Interfund payables..... | — | — | 51,000 | 51,000 | 142 |
| Other liabilities payable from restricted assets..... | — | — | 135 | 135 | — |
| Notes payable..... | — | — | 6,500 | 6,500 | 16,577 |
| Revenue bonds payable..... | — | — | 5,375 | 5,375 | — |
| Capital leases payable..... | — | — | — | — | 55 |
| Compensated absences payable..... | — | — | 216 | 216 | 1,051 |
| Net pension liability..... | — | — | 16,111 | 16,111 | 77,905 |
| Net OPEB liability..... | — | — | 3,589 | 3,589 | 46,497 |
| Total long-term liabilities..... | — | 199,339 | 199,318 | 398,657 | 299,640 |
| Total liabilities..... | 40,559 | 223,171 | 227,885 | 491,615 | 1,119,856 |
| DEFERRED INFLOWS OF RESOURCES..... | \$ — | \$ — | \$ 509 | \$ 509 | \$ 6,202 |

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Net Position**Exhibit B-3****PROPRIETARY FUNDS (Continued)****For the Fiscal Year Ended June 30, 2018**
June 30, 2018**(Expressed in Thousands)**

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|---|--------------------------------------|--------------------------|--------------------------------|---------------------|---------------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| NET POSITION | | | | | |
| Net investment in capital assets..... | \$ — | \$ — | \$ 218,157 | \$ 218,157 | \$ 91,551 |
| Restricted: | | | | | |
| Expendable: | | | | | |
| Unemployment compensation benefits..... | 976,977 | — | — | 976,977 | — |
| Insurance programs..... | — | 46,106 | — | 46,106 | 508,628 |
| Unrestricted..... | — | — | (75,472) | (75,472) | 17,035 |
| Total net position..... | \$ 976,977 | \$ 46,106 | \$ 142,685 | \$ 1,165,768 | \$ 617,214 |

Statement of Cash Flows, Expenses, and Changes in Fund Net Position

Exhibit B-4

For the Fiscal Year Ended June 30, 2018

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|--|------------------------------|------------------|------------------------|---------------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| Operating revenues: | | | | | |
| Assessments..... | \$ 331,069 | \$ 60,286 | \$ — | \$ 391,355 | \$ — |
| Charges for services..... | — | 5 | 53,639 | 53,644 | 2,799,514 |
| Contributions..... | — | — | 465 | 465 | — |
| Interest and other investment income..... | 17,068 | 1,999 | 15,137 | 34,204 | — |
| Federal operating grants and contracts..... | 5,195 | — | — | 5,195 | — |
| Other operating revenues..... | 13,483 | — | 119 | 13,602 | 386,795 |
| Total operating revenues..... | 366,815 | 62,290 | 69,360 | 498,465 | 3,186,309 |
| Operating expenses: | | | | | |
| General operations and administration..... | — | — | 38,840 | 38,840 | 512,055 |
| Benefits and claims..... | 182,537 | 285 | 5,135 | 187,957 | 2,642,275 |
| Tuition plan disbursements..... | — | — | 14,683 | 14,683 | — |
| Depreciation and amortization..... | — | — | 1,451 | 1,451 | 17,796 |
| Other operating expenses..... | — | — | 33 | 33 | 510 |
| Total operating expenses..... | 182,537 | 285 | 60,142 | 242,964 | 3,172,636 |
| Operating income..... | 184,278 | 62,005 | 9,218 | 255,501 | 13,673 |
| Nonoperating revenues (expenses): | | | | | |
| Interest income..... | — | — | 34 | 34 | 16,354 |
| Contributions..... | — | — | — | — | 38 |
| Federal grants and contracts..... | — | — | — | — | 17 |
| Interest expense..... | — | — | (106) | (106) | (372) |
| Net other nonoperating revenues (expenses)..... | — | 37 | 4,508 | 4,545 | 4,433 |
| Losses on sale of capital assets..... | — | — | — | — | (3,297) |
| Total nonoperating revenues (expenses)..... | — | 37 | 4,436 | 4,473 | 17,173 |
| Income before transfers..... | 184,278 | 62,042 | 13,654 | 259,974 | 30,846 |
| Transfers in..... | — | — | 44 | 44 | 2,258 |
| Transfers out..... | (200) | (250) | (8,795) | (9,245) | (10,134) |
| Change in net position..... | 184,078 | 61,792 | 4,903 | 250,773 | 22,970 |
| Net position (deficit), beginning, as restated..... | 792,899 | (15,686) | 137,782 | 914,995 | 594,244 |
| Net position at end of year..... | \$ 976,977 | \$ 46,106 | \$ 142,685 | \$ 1,165,768 | \$ 617,214 |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|---|------------------------------|------------------|------------------------|----------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| Cash flows from operating activities: | | | | | |
| Receipts from customers, patients, and third-party payers..... | \$ 19,036 | \$ — | \$ 53,346 | \$ 72,382 | \$ 2,597,886 |
| Assessments received..... | 321,015 | 60,286 | — | 381,301 | — |
| Grants received..... | 5,195 | — | — | 5,195 | — |
| Tuition plan contributions received..... | — | — | 1,545 | 1,545 | — |
| Internal activity—payments from other funds..... | — | — | — | — | 216,796 |
| Other operating cash receipts..... | — | 26,503 | (543) | 25,960 | 440,870 |
| Claims and benefits paid..... | (173,470) | (53,713) | (36,895) | (264,078) | (250,149) |
| Payments to suppliers for goods and services..... | — | — | (30,171) | (30,171) | (2,799,946) |
| Payments to employees..... | — | — | (7,298) | (7,298) | (51,496) |
| Internal activity—payments to other funds..... | — | — | — | — | (3,277) |
| Other operating cash payments..... | — | — | — | — | (1) |
| Net cash provided by (used in) operating activities..... | 171,776 | 33,076 | (20,016) | 184,836 | 150,683 |
| Cash flows from noncapital financing activities: | | | | | |
| Payment of bond issuance costs for other funds..... | — | — | — | — | (2,762) |
| Miscellaneous revenue cash receipts | — | 37 | 1,846 | 1,883 | 5,783 |
| Transfers in..... | — | — | 44 | 44 | 2,258 |
| Transfers out..... | (200) | (250) | (8,795) | (9,245) | (10,134) |
| Net cash used in noncapital financing activities..... | (200) | (213) | (6,905) | (7,318) | (4,855) |

Statement of Cash Flows**Exhibit B-5**

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|---|------------------------------|------------------|------------------------|-------------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of capital assets..... | \$ — | \$ — | \$ (26,624) | \$ (26,624) | \$ (18,372) |
| Proceeds from issuance of note..... | — | — | 6,500 | 6,500 | — |
| Proceeds from issuance of capital debt..... | — | — | — | — | 12,890 |
| Principal payments on capital debt..... | — | — | (175) | (175) | (6,761) |
| Interest payments on capital debt..... | — | — | — | — | (157) |
| Proceeds from sale or disposal of capital assets..... | — | — | 2,898 | 2,898 | 1,382 |
| Net cash used in capital and related financing activities..... | — | — | (17,401) | (17,401) | (11,018) |
| Cash flows from investing activities: | | | | | |
| Proceeds from sales and maturities of investments..... | 561 | — | 18,532 | 19,093 | 145,497 |
| Purchase of investments..... | — | (42,367) | (5,359) | (47,726) | (155,706) |
| Interest and dividends on investments..... | 17,049 | 1,495 | 15,173 | 33,717 | 21,483 |
| Net cash provided by (used in) investing activities..... | 17,610 | (40,872) | 28,346 | 5,084 | 11,274 |
| Net increase (decrease) in cash and cash equivalents..... | 189,186 | (8,009) | (15,976) | 165,201 | 146,084 |
| Cash and cash equivalents at beginning of year..... | 691,457 | 55,741 | 36,136 | 783,334 | 760,096 |
| Cash and cash equivalents at end of year..... | \$ 880,643 | \$ 47,732 | \$ 20,160 | \$ 948,535 | \$ 906,180 |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | | |
| Operating income..... | \$ 184,278 | \$ 62,005 | \$ 9,218 | \$ 255,501 | \$ 13,673 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization..... | — | — | 1,451 | 1,451 | 17,796 |
| Provision for bad debts..... | (8,462) | — | (26) | (8,488) | — |
| Realized losses on sale of assets..... | — | — | 2,899 | 2,899 | (3,297) |
| Interest payments reclassified as capital and related financing activities..... | — | — | — | — | (72) |
| Interest and dividends on investments and interfund loans..... | (17,049) | (1,495) | (15,195) | (33,739) | 72 |
| Other nonoperating revenues..... | — | — | 36 | 36 | 2,991 |
| Other nonoperating expenses..... | — | — | (9,292) | (9,292) | — |

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Cash Flows**Exhibit B-5**

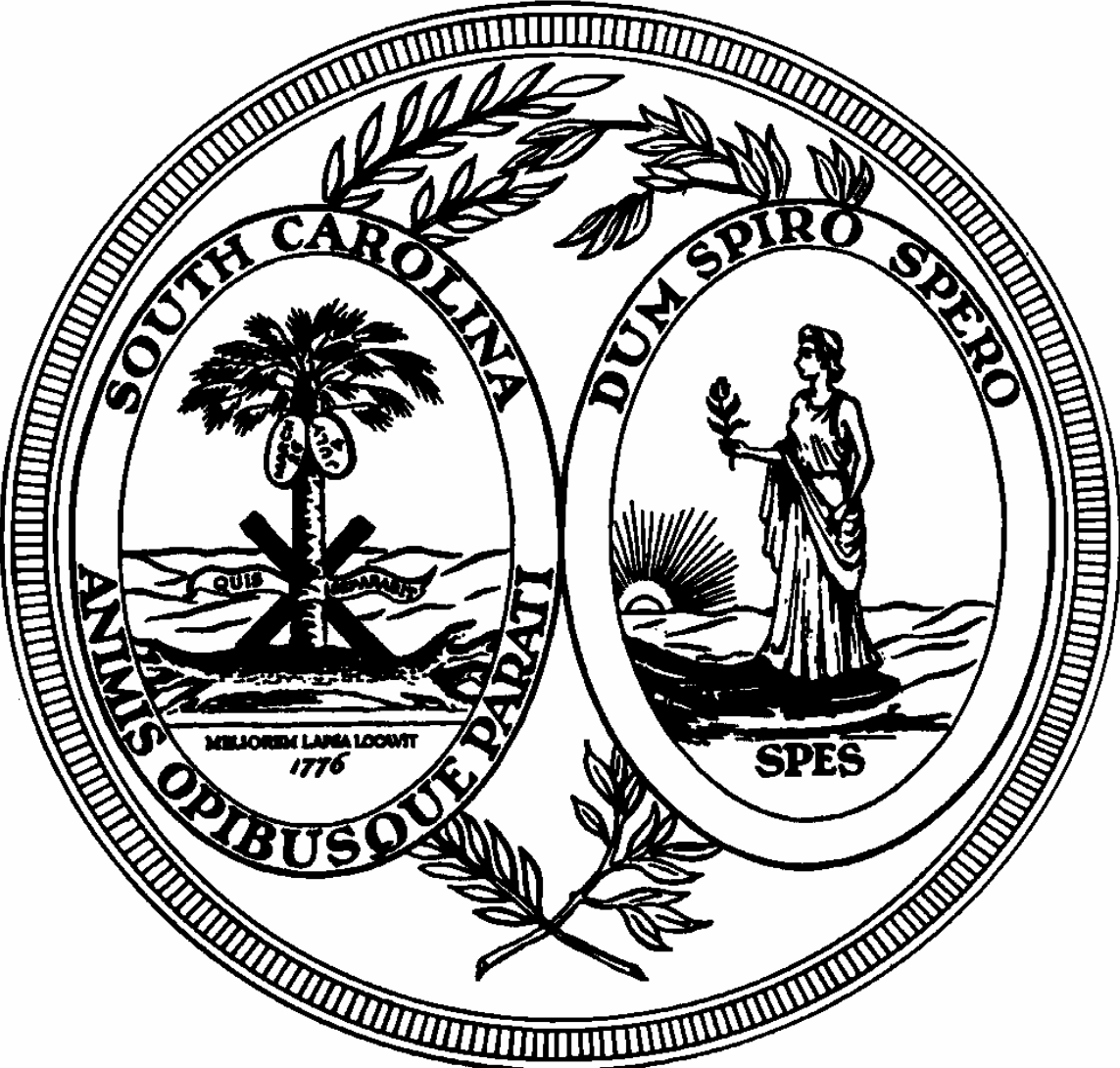
PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | ENTERPRISE FUNDS | | | | INTERNAL SERVICE FUNDS |
|--|------------------------------|------------------|------------------------|-------------------|------------------------------|
| | Unemployment Compensation | Second Injury | Nonmajor Enterprise | Totals | |
| Effect of changes in operating assets and liabilities: | | | | | |
| Accounts receivable, net..... | \$ 6,096 | \$ (1) | \$ 1,015 | \$ 7,110 | \$ 53,827 |
| Accrued interest..... | (18) | (505) | — | (523) | — |
| Assessments receivable, net..... | (2,137) | — | — | (2,137) | — |
| Due from other funds..... | — | — | (3) | (3) | 549 |
| Inventories..... | — | — | (69) | (69) | (216) |
| Other assets..... | — | — | 513 | 513 | (1,212) |
| Deferred outflows..... | — | — | (304) | (304) | (6,897) |
| Accounts payable..... | — | 21 | (1,688) | (1,667) | 2,855 |
| Accrued salaries and related expenses..... | — | — | (67) | (67) | 132 |
| Tax refunds payable..... | 5,119 | — | — | 5,119 | — |
| Unemployment benefits payable..... | 3,508 | — | — | 3,508 | — |
| Tuition benefits payable..... | — | — | (15,535) | (15,535) | — |
| Policy claims..... | — | (26,949) | (1,543) | (28,492) | 31,387 |
| Due to other funds..... | 441 | — | (15) | 426 | 246 |
| Unearned revenues..... | — | — | (153) | (153) | 14,246 |
| Compensated absences payable..... | — | — | (132) | (132) | (800) |
| Other liabilities..... | — | — | 8,347 | 8,347 | 18,527 |
| Deferred inflows..... | — | — | 527 | 527 | 6,876 |
| Net cash provided by (used in) operating activities..... | \$ 171,776 | \$ 33,076 | \$ (20,016) | \$ 184,836 | \$ 150,683 |
| Noncash capital, investing, and financing activities: | | | | | |
| Disposal of capital assets..... | \$ — | \$ — | \$ — | \$ — | \$ 17,011 |
| Borrowing under capital leases..... | — | — | — | — | (80) |
| Increase (decrease) in fair value of investments..... | — | — | (347) | (347) | (7,533) |
| Total noncash capital, investing, and financing activities..... | \$ — | \$ — | \$ (347) | \$ (347) | \$ 9,398 |

The Notes to the Financial Statements are an integral part of this statement.



Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2018

(Expressed in Thousands)

| | Pension and Other Post- Employment Benefit Trust | Investment Trust Local Government Investment Pool | Private- Purpose Trust | Agency |
|--|---|---|------------------------------|----------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 2,368,488 | \$ 4,206,875 | \$ 14,527 | \$ 392,937 |
| Receivables, net: | | | | |
| Accounts..... | — | — | — | 13,011 |
| Contributions..... | 336,412 | — | — | — |
| Accrued interest..... | 54,012 | 2,295 | 2,561 | 2,331 |
| Unsettled investment sales..... | 613,543 | — | 6,793 | — |
| Loans and notes receivables..... | — | — | — | 13 |
| Other investment receivables..... | 1,163 | — | — | — |
| Taxes..... | — | — | — | 748 |
| Total receivables..... | 1,005,130 | 2,295 | 9,354 | 16,103 |
| Due from other funds..... | 67,347 | — | — | — |
| Due from governmental funds..... | — | — | — | 11,173 |
| Investments, at fair value: | | | | |
| Short term investments..... | 586,272 | — | — | 18,640 |
| Debt-domestic..... | 6,354,240 | 430,963 | — | — |
| Equity-international..... | 13,870,901 | — | — | — |
| Alternatives..... | 9,499,522 | — | — | — |
| Financial and other..... | 101,388 | 1,853,314 | 3,553,903 | — |
| Total investments..... | 30,412,323 | 2,284,277 | 3,553,903 | 18,640 |
| Invested securities lending collateral..... | 42,726 | 20 | 3 | 183 |
| Capital assets, net | 2,362 | — | — | — |
| Prepaid items..... | 3,592 | — | — | — |
| Other assets..... | — | — | 4,464 | — |
| Total assets..... | 33,901,968 | 6,493,467 | 3,582,251 | 439,036 |
| LIABILITIES | | | | |
| Accounts payable..... | 12,717 | — | 2,134 | 39,524 |
| Accounts payable—unsettled investment purchases..... | 859,659 | — | 6,359 | — |
| Policy claims..... | 512 | — | — | — |
| Due to other funds..... | 67,347 | — | — | — |
| Intergovernmental payables..... | — | — | — | 32,436 |
| Deposits..... | — | — | — | 3,076 |
| Amounts held in custody for others..... | — | — | — | 363,554 |
| Deferred retirement benefits..... | 377,263 | — | — | — |
| Securities lending collateral..... | 89,879 | 20 | 3 | 183 |
| Due to participants..... | — | — | — | 17 |
| Other liabilities..... | 34,756 | — | — | 246 |
| Total liabilities..... | 1,442,133 | 20 | 8,496 | 439,036 |
| NET POSITION | | | | |
| Restricted for pension and other post-employment benefits..... | 32,459,835 | — | — | — |
| Held in trust for: | | | | |
| External investment pool participants..... | — | 6,493,447 | — | — |
| Other purposes..... | — | — | 3,573,755 | — |
| Total net position..... | \$ 32,459,835 | \$ 6,493,447 | \$ 3,573,755 | \$ — |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Pension and Other Post- Employment Benefit Trust | Investment Trust Local Government Investment Pool | Private-Purpose Trust |
|--|---|---|--------------------------|
| Additions: | | | |
| Licenses, fees, and permits..... | \$ — | \$ — | \$ 63 |
| Contributions: | | | |
| Employer..... | 2,001,881 | — | — |
| Employee..... | 1,010,636 | — | — |
| Non-employer..... | 225,045 | — | — |
| Deposits from pool participants..... | — | 12,220,711 | — |
| Tuition plan deposits..... | — | — | 726 |
| Other..... | — | — | 263,923 |
| Total contributions..... | 3,237,562 | 12,220,711 | 264,649 |
| Investment income: | | | |
| Interest income and net appreciation in investments..... | 2,707,225 | 99,803 | 230,286 |
| Securities lending income..... | 2,049 | 23 | — |
| Total investment income..... | 2,709,274 | 99,826 | 230,286 |
| Less investment expense: | | | |
| Investment expense..... | 374,222 | — | — |
| Securities lending expense..... | 5 | — | — |
| Net investment income..... | 2,335,047 | 99,826 | 230,286 |
| Assets moved between pension trust funds..... | 1,534 | — | — |
| Total additions..... | 5,574,143 | 12,320,537 | 494,998 |
| Deductions: | | | |
| Regular retirement benefits..... | 3,116,772 | — | — |
| Supplemental retirement benefits..... | 368 | — | — |
| Deferred retirement benefits..... | 707,932 | — | — |
| Refunds of retirement contributions to members..... | 137,766 | — | — |
| Death benefit claims..... | 25,207 | — | — |
| Accidental death benefits..... | 1,734 | — | — |
| Other post-employment benefits..... | 474,142 | — | — |
| Withdrawals, pool participants..... | — | 11,392,080 | — |
| Distributions to pool participants..... | — | 94,318 | — |
| Depreciation..... | 216 | — | — |
| Administrative expense..... | 17,037 | 4,422 | 12,162 |
| Other expenses..... | — | — | 1,585 |
| Assets moved between pension trust funds..... | 1,534 | — | — |
| Total deductions..... | 4,482,708 | 11,490,820 | 13,747 |
| Change in net position..... | 1,091,435 | 829,717 | 481,251 |
| Net position, beginning..... | 31,368,400 | 5,663,730 | 3,092,504 |
| Net position at end of year..... | \$ 32,459,835 | \$ 6,493,447 | \$ 3,573,755 |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

| | Public Service Authority | Medical University of South Carolina | University of South Carolina | Clemson University |
|---|--------------------------------|---|---------------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 731,758 | \$ 607,405 | \$ 525,229 | \$ 322,798 |
| Investments..... | 740,777 | 263,135 | 465,422 | 3,424 |
| Invested securities lending collateral..... | — | 32 | 245 | 331 |
| Receivables, net: | | | | |
| Accounts..... | 228,575 | 16,633 | 17,749 | 9,036 |
| Contributions..... | — | 40,612 | 30,668 | 23,393 |
| Accrued interest..... | 2,522 | 1,272 | 2,924 | 2,214 |
| Student accounts..... | — | 804 | 9,179 | 6,584 |
| Patient accounts..... | — | 261,706 | — | — |
| Loans and notes..... | — | 384 | 10,112 | 16 |
| Due from Federal government and other grantors..... | — | 46,660 | 47,764 | 24,104 |
| Due from primary government..... | — | 13,062 | 7,823 | 9,471 |
| Inventories..... | 547,558 | 25,923 | 2,232 | 3,160 |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | 71,365 | 67,999 | 303,978 | 293,248 |
| Investments..... | 299,014 | 422,117 | 43,237 | 768,818 |
| Accounts receivable..... | — | — | — | — |
| Loans receivable..... | — | 12,719 | 16,790 | 7,390 |
| Other..... | — | 6,680 | — | 5,986 |
| Prepaid items..... | 14,494 | 34,276 | 1,938 | 11,864 |
| Other assets..... | 275,019 | 7,140 | 29,612 | 5,591 |
| Regulatory asset..... | 4,248,478 | — | — | — |
| Other regulatory assets- asset retirement obligation..... | 923,912 | — | — | — |
| Investment in joint venture..... | 6,587 | — | — | — |
| Capital assets-nondepreciable..... | 946,277 | 343,397 | 230,350 | 322,944 |
| Capital assets-depreciable, net..... | 3,885,745 | 902,972 | 1,179,681 | 1,021,476 |
| Total assets..... | \$ 12,922,081 | \$ 3,074,928 | \$ 2,924,933 | \$ 2,841,848 |
| DEFERRED OUTFLOWS OF RESOURCES..... | | | | |
| | \$ 239,111 | \$ 290,043 | \$ 213,176 | \$ 130,257 |
| LIABILITIES | | | | |
| Accounts payable..... | \$ 291,708 | \$ 104,818 | \$ 20,864 | \$ 30,731 |
| Accrued salaries and related expenses..... | 12,669 | 117,390 | 21,496 | 22,090 |
| Accrued interest payable..... | 50,383 | 2,183 | 5,421 | 4,716 |
| Retainages payable..... | 17,130 | 91 | 1,287 | 4,886 |
| Prizes payable..... | — | — | — | — |
| Intergovernmental payables..... | — | — | — | — |
| Due to primary government..... | — | — | 4,900 | 3,844 |
| Unearned revenues and asset retirement obligation..... | 729,969 | 22,211 | 51,216 | 49,190 |
| Deposits..... | — | — | 3,077 | 2,791 |
| Amounts held in custody for others..... | — | 17,852 | 54,349 | 78,009 |
| Securities lending collateral..... | — | 32 | 245 | 331 |
| Liabilities payable from restricted assets: | | | | |
| Other..... | — | — | — | — |
| Other liabilities..... | 534,792 | 48,679 | 23,635 | 10,889 |
| Long-term liabilities: | | | | |
| Due within one year..... | 50,226 | 58,232 | 55,258 | 34,827 |
| Due in more than one year..... | 8,257,097 | 2,995,460 | 2,460,903 | 1,858,832 |
| Total liabilities..... | \$ 9,943,974 | \$ 3,366,948 | \$ 2,702,651 | \$ 2,101,136 |
| DEFERRED INFLOWS OF RESOURCES..... | | | | |
| | \$ 1,134,562 | \$ 103,699 | \$ 84,102 | \$ 53,787 |
| NET POSITION | | | | |
| Net investment in capital assets..... | \$ 1,523,505 | \$ 608,056 | \$ 819,338 | \$ 798,432 |
| Restricted: | | | | |
| Expendable: | | | | |
| Education..... | — | 283,877 | 167,000 | 277,133 |
| Transportation..... | — | — | — | — |
| Capital projects..... | 1,284 | 68,199 | 81,307 | 106,028 |
| Debt service..... | 32,430 | 54,054 | 7,559 | 9,747 |
| Loan programs..... | — | — | — | — |
| Other..... | — | — | — | — |
| Nonexpendable: | | | | |
| Education..... | — | 265,914 | 379,125 | 380,351 |
| Unrestricted..... | 525,437 | (1,385,776) | (1,102,973) | (754,509) |
| Total net position (deficit)..... | \$ 2,082,656 | \$ (105,676) | \$ 351,356 | \$ 817,182 |

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

| State Ports Authority | Housing Authority | Lottery Commission | Nonmajor Component Units | Total |
|-----------------------------|--------------------------|-----------------------|--------------------------------|----------------------------|
| \$ 544,623 | \$ 20,017 | \$ 23,734 | \$ 652,476 | \$ 3,428,040 |
| 20,007 | — | — | 355,338 | 1,848,103 |
| 423 | — | — | 171 | 1,202 |
| 53,168 | 295 | 46,760 | 73,382 | 445,598 |
| — | — | — | 30,980 | 125,653 |
| — | 99 | — | 2,047 | 11,078 |
| — | — | — | 41,248 | 57,815 |
| — | — | — | — | 261,706 |
| — | 25,260 | — | 57,262 | 93,034 |
| — | 838 | — | 40,805 | 160,171 |
| — | 1,521 | — | 23,438 | 55,315 |
| 8,557 | — | 4,226 | 11,179 | 602,835 |
| — | 149,487 | 494 | 259,041 | 1,145,612 |
| — | 150,946 | — | 389,151 | 2,073,283 |
| — | 493 | — | — | 493 |
| — | 585,501 | — | 11,680 | 634,080 |
| — | 3,138 | — | 3,626 | 19,430 |
| 4,800 | — | — | 17,313 | 84,685 |
| 603 | 2,558 | 6,218 | 136,474 | 463,215 |
| — | — | — | — | 4,248,478 |
| — | — | — | — | 923,912 |
| — | — | — | — | 6,587 |
| 756,579 | — | — | 276,569 | 2,876,116 |
| 446,859 | 348 | 474 | 1,979,674 | 9,417,229 |
| <u>\$ 1,835,619</u> | <u>\$ 940,501</u> | <u>\$ 81,906</u> | <u>\$ 4,361,854</u> | <u>\$ 28,983,670</u> |
| <u>\$ 23,812</u> | <u>\$ 4,119</u> | <u>\$ 2,660</u> | <u>\$ 264,206</u> | <u>\$ 1,167,384</u> |
| \$ 24,158 | \$ — | \$ 2,860 | \$ 59,369 | \$ 534,508 |
| 4,543 | 886 | — | 41,551 | 220,625 |
| 8,658 | — | — | 5,688 | 77,049 |
| 3,858 | — | — | 3,181 | 30,433 |
| — | — | 34,936 | — | 34,936 |
| — | — | — | 638 | 638 |
| — | — | 13,851 | 20,732 | 43,327 |
| — | 6,103 | 456 | 84,328 | 943,473 |
| — | — | — | 5,940 | 11,808 |
| — | — | — | 15,891 | 166,101 |
| 423 | — | — | 171 | 1,202 |
| — | 13,056 | — | 2,257 | 15,313 |
| 4,279 | 1,083 | 1,809 | 24,429 | 649,595 |
| 6,244 | 13,114 | 542 | 79,722 | 298,165 |
| 988,079 | 437,442 | 27,544 | 3,487,966 | 20,513,323 |
| <u>\$ 1,040,242</u> | <u>\$ 471,684</u> | <u>\$ 81,998</u> | <u>\$ 3,831,863</u> | <u>\$ 23,540,496</u> |
| <u>\$ 4,777</u> | <u>\$ 43,325</u> | <u>\$ 1,600</u> | <u>\$ 148,351</u> | <u>\$ 1,574,203</u> |
| \$ 611,645 | \$ 348 | \$ 474 | \$ 1,466,552 | \$ 5,828,350 |
| — | — | — | 255,042 | 983,052 |
| — | — | — | 1,461 | 1,461 |
| — | — | — | 217,217 | 474,035 |
| 7,344 | 27,719 | — | 50,331 | 189,184 |
| — | 382,026 | — | 61,229 | 443,255 |
| — | — | 494 | 59,395 | 59,889 |
| — | — | — | 286,369 | 1,311,759 |
| 195,423 | 19,518 | — | (1,751,750) | (4,254,630) |
| <u><u>\$ 814,412</u></u> | <u><u>\$ 429,611</u></u> | <u><u>\$ 968</u></u> | <u><u>\$ 645,846</u></u> | <u><u>\$ 5,036,355</u></u> |

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Expenses | Program Revenues | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Public Service Authority..... | \$ 1,678,017 | \$ 1,756,983 | \$ 13,656 | \$ — |
| Medical University of South Carolina..... | 2,426,921 | 2,198,874 | 117,667 | 37,657 |
| University of South Carolina..... | 1,339,291 | 1,069,687 | 158,619 | 27,341 |
| Clemson University..... | 1,042,625 | 745,838 | 188,647 | 18,424 |
| State Ports Authority..... | 531,324 | 252,013 | 6,491 | 293,620 |
| Housing Authority..... | 224,766 | 37,232 | 207,545 | — |
| Lottery Commission..... | 1,741,956 | 1,753,879 | 11 | — |
| Nonmajor component units..... | 1,934,870 | 1,159,693 | 467,235 | 81,455 |
| Totals..... | \$ 10,919,770 | \$ 8,974,199 | \$ 1,159,871 | \$ 458,497 |

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

| Net Revenue (Expenses) | Additions to Endowments | State Appropriations | Net Position (Deficit) Beginning (as Restated) | Net Position (Deficit) Ending |
|---------------------------------------|------------------------------------|---------------------------------|---|--|
| \$ 92,622 | \$ — | \$ — | \$ 1,990,034 | \$ 2,082,656 |
| (72,723) | 12,158 | 117,962 | (163,073) | (105,676) |
| (83,644) | 9,465 | 163,371 | 262,164 | 351,356 |
| (89,716) | 14,019 | 123,914 | 768,965 | 817,182 |
| 20,800 | — | — | 793,612 | 814,412 |
| 20,011 | — | — | 409,600 | 429,611 |
| 11,934 | — | — | (10,966) | 968 |
| (226,487) | 15,093 | 300,867 | 556,373 | 645,846 |
| \$ (327,203) | \$ 50,735 | \$ 706,114 | \$ 4,606,709 | \$ 5,036,355 |

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

The South Carolina General Assembly (an elected legislative body) and several elected executives govern the State of South Carolina. The accompanying financial statements present the activities of the State of South Carolina's primary government and its component units.

Component units are legally separate organizations for which the State is accountable for purposes of financial reporting. Blended component units, although legally separate from the State, are part of the State's operations in substance. Accordingly, the State includes blended component units within applicable funds in its fund financial statements and within applicable activities in its government-wide financial statements. In contrast, the State excludes its discretely presented component units from the fund financial statements included within its basic financial statements and it reports the discretely presented component units separately in its government-wide financial statements.

As explained more fully below, the State's primary government and its component units include various State funds, agencies, departments, institutions, authorities, and other organizations.

Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below.

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership and the Retirement Systems Investment Commission (RSIC), which consists of eight members appointed by the Governor, the other four members of the State Fiscal Accountability Authority, a retired member of one of the five systems appointed by the other RSIC directors, and the ex-officio Executive director of PEBA, are co-trustees of the assets of the retirement system. PEBA also serves as the custodian of the assets of the retirement system.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2018.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2017. The Palmetto Railways Division is governed by the Secretary of the Department of Commerce which operates as a cabinet agency under the Governor and is subject to state laws and regulations as well maintaining operational responsibility for the blended component unit.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
<http://osa.sc.gov>

Palmetto Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200
<http://palmettorailways.com>

State of South Carolina

Major Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2018. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2017. A financial benefit/burden relationship exists between the State and the Public Service Authority.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates six ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

The South Carolina State Housing Finance and Development Authority is a legally separate entity that facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Authority issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Authority. The Governor appoints, with the advice and consent of the Senate, seven persons to be commissioners of the South Carolina State Housing Finance and Development Authority. The State has the ability to impose its will on the Housing Finance and Development Authority.

South Carolina Lottery Commission

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission is legally separate and is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs. A benefit/burden relationship exists between the State and the Lottery.

Clemson University

Clemson University is a legally separate State-supported, institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the General Assembly. The University is governed by a board of thirteen members, including six elected by the General Assembly and seven self-perpetuating life members. A benefit/burden relationship exists between the State and Clemson University.

Medical University of South Carolina

The Medical University of South Carolina (MUSC) is a legally separate State-supported institution of higher education. MUSC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The management and control of the university is vested in a board of trustees, composed as follows: the Governor or designee, ex officio, fourteen members elected by the General Assembly in joint assembly, and one member appointed by the Governor. A financial benefit/burden relationship exists between the State and MUSC.

University of South Carolina

The University of South Carolina (USC) is a legally separate State-supported institution of higher education. USC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The board of trustees is composed of the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association, which three are members ex officio of the board, and seventeen other members including one member from each of the sixteen judicial circuits elected by the general vote of the General Assembly, and one at-large member appointed by the Governor. A financial benefit/burden relationship exists between the State and USC.

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Nonmajor Discretely Presented Component Units

The State's government-wide financial statements also include the following nonmajor discretely presented component units in the aggregate:

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2017.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2017. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

The South Carolina Education Assistance Authority is a legally separate entity that issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings. The State has the ability to impose its will on the Education Assistance Authority.

The South Carolina First Steps to School Readiness is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee. The State has the ability to impose its will on First Steps to School Readiness.

The South Carolina Jobs-Economic Development Authority is a legally separate entity that promotes and develops business and economic welfare in the state. The Authority is governed by a Board of Directors which consists of ten members all appointed by the Governor. The State has the ability to impose its will on the Jobs-Economic Development Authority.

The South Carolina Research Authority was created through an act of the General Assembly, as a legally separate entity, for the development and marketing of a statewide system of research and technology-based infrastructure and to conduct applied research and commercialization services on a contractual basis. The Research Authority is governed by twenty-four board members, of which an executive committee of nine members holds all voting ability. All nine of the executive committee members are State appointees. The State has the ability to impose its will on the Research Authority.

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2017.

The Patriots Point Development Authority is a legally separate entity, established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor. Members of the Authority are appointed by the Governor as follows: one upon the joint recommendation of the Chairman of the House Ways and Means Committee and the Speaker of the House, one upon the joint recommendation of the Chairman of the Senate Finance Committee and the President Pro Tempore of the Senate, and three appointed by the Governor. The Governor appoints the chairman. In addition, there are three additional members of the board appointed by the Governor, one appointed upon recommendation of the President Pro Tempore of the Senate, one appointed upon recommendation of the Speaker of the House of Representatives, and one appointed upon recommendation of the State Adjutant General. A financial benefit/burden relationship exists between the State and the Authority.

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University, and Winthrop University.* The universities are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual university because the State provides significant funding to these institutions.

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College, and York Technical College.* The

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colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

One may obtain stand-alone financial statements for discretely presented component units from the following administrative offices:

South Carolina Public Service Authority
(Santee Cooper)
<http://santeecooper.com>

South Carolina State Ports Authority
<http://scspa.com>

South Carolina State Housing Finance and Development
Authority
<http://osa.sc.gov>

South Carolina Lottery Commission
<http://osa.sc.gov>

Universities:

Medical University of South Carolina
University of South Carolina
Clemson University
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
<http://osa.sc.gov>

Technical Colleges:

Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Technical College of the Lowcountry
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College
<http://sctechsystem.com>

Children's Trust Fund of South Carolina
1205 Pendleton Street, Suite 506
Columbia, South Carolina 29201
<http://scchildren.org>

Connector 2000 Association, Inc.
Post Office Box 408
Piedmont, South Carolina 29673
<http://southernconnector.com>

South Carolina Education Assistance Authority
<http://osa.sc.gov>

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
<http://osa.sc.gov>

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
<http://osa.sc.gov>

South Carolina Research Authority
315 Sigma Drive
Summerville, SC 29486
<http://scra.org>

South Carolina Medical Malpractice
Liability Joint Underwriting Association
c/o Patient's Compensation Fund
121 Executive Center Drive
Suite 110
Columbia, South Carolina 29210
<http://scpcf.com>

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
<http://osa.sc.gov>

Related Organizations

A related organization is one for which the primary government is accountable but not *financially accountable*. The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

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The State of South Carolina is a member state within the Atlantic Interstate Low-Level Radioactive Waste Management Compact, a voluntary association of states that, by federal law, is legally separate from each of the member states. South Carolina does not have an ongoing financial interest in the Compact.

b. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities*. Taxes, federal revenues, and nonexchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities, and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

Statement of Activities and Eliminations

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The State does not eliminate direct expenses and does not allocate indirect expenses to functions in the statement of activities. In the statement of activities, reimbursements under indirect cost plans for federal reimbursement purposes are reported as program revenues of the function that includes the reimbursed expenses.

Eliminations have been made to minimize the double-counting of internal activities. For example, the State eliminates payments the Department of Health and Human Services makes to the Department of Mental Health for providing Medicaid services because it reports both departments in its health and environment function. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost for functional activities as reported in the total column of that statement. The State treats these internal payments as program revenues and treats interfund reimbursements in the statement of activities in the same manner as described below for fund financial statements.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs; (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and (c) investment earnings that are legally restricted for a specific program. The State classifies as *general revenues* all revenues that are not program revenues, including all taxes.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. The State presents separate statements for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. The State aggregates and reports as nonmajor funds all remaining governmental and enterprise funds.

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with monies from a Special Revenue Fund. That is, the Department of Motor Vehicles recorded Special Revenue Fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

Governmental Funds

Governmental funds focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds. The State reports the following major governmental funds:

The *General Fund* is the State's general operating fund. It accounts for resources that fund the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund.

The *Departmental Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts.

The *Local Governmental Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. This fund includes operations of the South Carolina Transportation Infrastructure Bank.

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The *Department of Transportation Special Revenue Fund* accounts for the various gasoline taxes, fees, fines, and federal grant resources that the Department of Transportation uses in its general operations. Those operations include highway maintenance and repair as well as most of the Department's administrative activities.

The State aggregates other nonmajor governmental funds in a single column in its fund financial statements.

Enterprise Funds

Enterprise funds (which are reported as business-type activities in the government-wide financial statements) report activities that charge fees to external users for goods or services. The State reports the following major enterprise funds:

The *Unemployment Compensation Fund* accounts for the State's unemployment compensation benefits. Revenues consist of federal grants and assessments on employers to pay benefits to qualified unemployed persons.

The *Second Injury Fund* serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment. With the ratification of the Workers' Compensation Reform Act the Second Injury Fund was placed in "run-off" and terminated effective July 1, 2013. The Act provided for an orderly termination of the Fund by decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and remaining assets or operational liabilities to the State Fiscal Accountability Authority (SFAA).

The State aggregates other nonmajor enterprise funds in a single column in its fund financial statements.

Other Fund Types

The State reports the following fund types in addition to governmental and enterprise funds:

Internal service funds account for various goods and services provided to other State departments or agencies (primarily to governmental funds), or to other governments, on a cost-reimbursement basis. Services provided by these funds include several risk management activities for which the State is the primary participant, including underwriting related to the following risks: public buildings and their contents, torts, medical malpractice, automobile use by public employees in the performance of their official duties, employee health and disability, and workers' compensation benefits. Other services include those relating to telecommunications, computer operations, office rental, janitorial, building maintenance, lease and repair of fleet vehicles, procurement, and employee training. The internal service funds also sell goods produced with prison inmate labor. In addition, the internal service funds purchase selected supplies and equipment in bulk and sell these items to other State funds (primarily governmental funds) and to local governmental units. The State's internal service funds are considered to be governmental activities because they primarily serve governmental funds.

Pension and post-employment benefit trust funds account for the pension benefits of the South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Supplemental Retirement Plan, and the post-employment health, dental, and long-term disability insurance benefits provided by the State to its retirees.

The State's *investment trust fund* acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and miscellaneous other trust agreements holding assets that benefit non-State parties.

Agency funds account for assets that the State holds as an agent. These assets include amounts held for prisoners, patients of State institutions, and other external parties.

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported as nonoperating.

For the *Unemployment Compensation Fund*, principal operating revenues include amounts received from covered employers and from federal agencies. The amounts received from federal agencies are classified as operating revenues because they are provided to the State primarily to provide unemployment benefits, although amounts not needed for that purpose may be used for other purposes. This fund's operating expenses consist primarily of unemployment compensation benefits paid.

Component Unit Financial Statements

The State presents a statement of net position and a statement of activities for each of its major discretely presented component units and for the aggregate of its nonmajor discretely presented component units.

c. Measurement Focus and Basis of Accounting

A particular measurement focus determines *what* resources are measured. The State reports its government-wide, proprietary, and fiduciary fund (other than agency fund) financial statements using the *economic resources* measurement focus. Agency funds report only assets and liabilities and therefore cannot be said to have a measurement focus. Private sector business enterprises also use the economic resources measurement focus. The State reports its governmental funds using the *current financial resources* measurement focus.

The basis of accounting determines *when* the State recognizes revenues and expenditures/expenses as well as the related assets and liabilities, regardless of measurement focus. Generally accepted accounting principles for governments require the use of the accrual and the modified accrual basis of accounting as described below.

Accrual Basis

The State uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary and fiduciary fund financial statements and its component unit financial statements. Under the accrual basis, the State generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows.

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection.

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Revenues not considered available are reported as deferred inflows of resources.

Recognition of Specific Grant and Shared Revenue Transactions

The State reports the receipt of food commodities and vaccines as revenue and the distribution of commodities and vaccines as expenditure or expense. The fair values of the donated commodities and vaccines are recognized as revenues when all eligibility requirements are met.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditure or expense under both the accrual and modified accrual bases of accounting.

The State shares certain of its revenues with municipalities, counties, and districts within its borders, recognizing expenditure or expense when the recipient government has met all eligibility requirements.

d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent cash on hand, cash on deposit in banks and savings associations, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: retirement plans, the Local Government Investment Pool (an external investment pool), and the Tobacco Settlement Revenue Management Authority (a blended component unit and a nonmajor governmental fund). For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

e. Cash Management Pool—Allocation of Interest

The State's cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Investments

The State Treasurer is authorized by statute to invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing mostly in the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Certain agencies and component units have specific authority to manage deposits and investments under their control. The investment policies of these entities may differ from those of the State Treasurer.

State law has established an eight-member Investment Commission with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The Commission may invest no more than 70.0% of the Systems' investment portfolio in equity securities.

Substantially all of the State's investments are presented at fair value.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained at: <http://osa.sc.gov>.

g. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience. The State discloses the allowances for uncollectible receivables and the net receivables not expected to be collected within one year in Note 5. Further, the State disaggregates its receivable balances in Note 5 if any significant components thereof have been obscured in the financial statements by aggregation or if different components of receivables have significantly different liquidity characteristics.

The State presents balances outstanding at the end of the fiscal year that relate to lending/borrowing arrangements between funds as interfund receivables and payables and reports all other outstanding balances between funds as due to/from other funds. The government-wide statement of net position displays internal balances that involve fiduciary funds as accounts receivable and accounts payable. The State reports as internal balances any residual balances outstanding between the governmental and business-type activities in the government-wide financial statements.

h. Inventories

The State values its inventories at the lower of cost or market, predominantly using the first-in, first-out methodology for its proprietary funds and its business-type activities and predominantly using the average cost methodology for its other funds and activities and its discretely presented component units. The State records expenditures in governmental funds when it consumes inventory items rather than when it purchases them.

i. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements. The State's policy is to reflect consumption of the future benefit under the consumption method.

j. Capital Assets

The State reports its capital assets in the following categories in the applicable governmental or business-type activities in the government-wide financial statements: land and land improvements, infrastructure (i.e., highways and bridges), buildings and improvements, construction in progress, vehicles, machinery and equipment, works of art and historical treasures, and intangible assets.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated acquisition value on the donation date. Infrastructure assets acquired prior to fiscal years ended after June 30, 1980, are reported at cost beginning in the year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. Net interest incurred by a proprietary fund during the construction phase of a major capital asset is included as part of the capitalized value of such asset.

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The State reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based upon this assessment there were no material impairments as of June 30, 2018.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than \$5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than \$100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than \$500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

| Asset Category | Years |
|---|---------|
| Land Improvements..... | 3 - 60 |
| Infrastructure--highways..... | 75 |
| Infrastructure--bridges..... | 50 |
| Buildings and Improvements..... | 5 - 55 |
| Vehicles..... | 3 - 20 |
| Machinery and equipment..... | 2 - 25 |
| Works of art; historical treasures..... | 10 - 25 |
| Intangible assets..... | 3 - 38 |

The State does not depreciate land, non-depreciable land improvements, and construction in progress. The State does not depreciate capitalized individual works of art and historical treasures determined to have inexhaustible useful lives and does not capitalize collections of works of art and historical treasures that are held for public use, are protected and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These non-capitalized collections include historical relics, antiques, fossils, and other South Carolina artifacts.

In the government-wide statement of activities, the State reports losses on disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

k. Regulatory Assets and Regulatory Assets-Asset Retirement Obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as regulatory assets and regulatory asset-asset retirement obligation. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority. The abandoned V.C. Summers 2 and 3 projects encompass the majority of the South Carolina Public Service Authority's \$4.248 billion regulatory asset.

l. Tax Refunds Payable

Most of the tax refunds payable balance in the General Fund relates to individual income tax. During the calendar year, the State collects employee withholdings and taxpayers' payments. Taxpayers file returns by April 15 for the preceding calendar year. At June 30, the State estimates the amount it owes taxpayers for overpayments during the preceding six months. The State records this estimated payable as tax refunds payable and a reduction of tax revenues.

m. Long-Term Obligations

The State records general long-term debt and other long-term obligations of the primary government's governmental funds in the governmental activities reported in its government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

The State defers and amortizes bond premiums and discounts, as well as losses on bond refundings, over the life of the bonds predominantly using the effective interest method. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is also deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt and are recognized as deferred outflows or inflows of resources. The State reports bonds payable net of the applicable bond premium or discount.

Losses and gains on bond refundings are reported as deferred outflows or inflows of resources, respectively.

n. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees hired prior to July 1, 2012 participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

The government-wide and proprietary fund statements record an expense and a liability when employees earn compensated absence credits. Governmental fund financial statements record a liability for compensated absences payable at June 30 only if the liability for accumulated vacation leave has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements). The State does not record a liability for unpaid accumulated sick leave.

o. Net Position and Fund Balance

The State reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2018, \$814.617 million was reported as restricted net position because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if either a state statute or constitutional provision constrains the use of resources of the state. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. Assigned fund balance is constrained through appropriation actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

q. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net position that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, nuclear decommissioning costs, non-exchange revenues, service concession arrangements, pension contributions subsequent to the measurement date, difference between actual and expected experience on investments, net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between contributions and proportionate share of contributions. See Note 9, Deferred Outflows of Resources and Deferred Inflows of Resources, on page 118 for further detail.

r. Pension and Other Post-Employment Benefit (OPEB) Obligations

The South Carolina Retirement Systems' (the Systems) financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The State's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market value are reported at estimated fair value.

For purposes of measuring the net Pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans.

For this purpose, the Plans recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2018, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is intended to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating transparency. See Note 15, Fund Equity Reclassifications and Restatements, on page 145 for further detail.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2018:

| | |
|---------------------------------|-----------|
| Patients' Compensation..... | \$ 40,300 |
| Canteen..... | 793 |
| Tuition Prepayment Program..... | 36,065 |
| Prison Industries..... | 13,534 |

Actions taken to eliminate deficits include increase of existing fees, assessment of additional fees, purchase of excess loss reinsurance, General Fund appropriations, and implementation of cost containment programs.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, those agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

a. Deposits

The following deposits disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems (the Systems) which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Deposit Policy

The State's deposit policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the State Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. Agencies, with specific authority to manage their deposits outside of the State Treasurer, may have custodial credit risk policies that differ from that of the State Treasurer. Therefore, some deposits presented below have custodial credit risk. See Note 1, sections d and e for additional information on deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2018 was \$707.638 million and the bank balance was \$1.028 billion. As of June 30, 2018, the reported amount of the primary government's deposits outside of the State Treasurer was \$32.910 million and the bank balance was \$32.934 million. Of the \$9.613 million bank balance exposed to custodial credit risk, \$1.654 million was uninsured and uncollateralized, \$1.808 million was uninsured and collateralized with securities held by the pledging financial institution, and \$6.151 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

b. Investments

The following investment disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Investment Policy

The State's investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Agencies with specific authority to manage their own investments

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may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Fair Value

The State categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the State performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments not having a readily determinable fair value is established using net asset value (or amortized cost) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by the State's custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. The State may override prices provided by the custodian bank if it is deemed necessary or appropriate. The following table is expressed in thousands:

| Investments by Fair Value Level | At 6/30/2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|----------------------|--|---|
| <u>Investments</u> | | | |
| U.S. treasuries..... | \$ 153,086 | \$ — | \$ 153,086 |
| U.S. agencies..... | 5,172,654 | 5,172,654 | — |
| Mortgage backed obligations..... | 705 | — | 705 |
| Common stock..... | 45,629 | 45,629 | — |
| Other equity securities..... | 2,131,457 | 2,131,457 | — |
| Corporate bonds..... | 3,951,532 | — | 3,951,532 |
| Municipal bonds..... | 5,172 | — | 5,172 |
| Asset backed securities..... | 755,786 | — | 755,786 |
| Commercial paper..... | 6,154,739 | — | 6,154,739 |
| Money market mutual funds..... | 415,144 | 415,144 | — |
| Bond mutual funds..... | 714,801 | 714,801 | — |
| Other..... | 65,926 | — | 65,926 |
| Total investments at fair value..... | 19,566,631 | \$ 8,479,685 | \$ 11,086,946 |
| <u>Investments measured at amortized cost</u> | | | |
| Repurchase agreements..... | 1,244,081 | | |
| Total investments measured at fair value | \$ 20,810,712 | | |

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Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Agencies with specific authority to manage their own investments may have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2018 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

| Investment Type and Fair Value | AAA | AA | A / A1/ A2 | BBB | BB | Alternative Rating Agency | Not Rated |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|------------------|---------------------------------|---------------------|
| U.S. agencies..... | \$ 4,284,393 | \$ 49,840 | \$ 812,514 | \$ 9,936 | \$ — | \$ — | \$ 15,971 |
| Mortgage backed obligations..... | — | 705 | — | — | — | — | — |
| Corporate bonds..... | 73,319 | 367,139 | 2,305,915 | 826,414 | 18,893 | — | 359,852 |
| Municipal bonds..... | — | — | — | — | — | — | 5,172 |
| Repurchase agreements..... | — | — | — | — | — | — | 1,244,081 |
| Asset backed securities..... | 359,213 | 393,804 | — | — | — | — | 2,769 |
| Commercial paper..... | 276,594 | 4,960,638 | 219,552 | 697,955 | — | — | — |
| Money market mutual funds..... | 11,305 | — | — | — | — | 403 | 403,436 |
| Bond mutual funds..... | — | — | — | — | — | — | 714,801 |
| Other..... | — | 16,206 | — | — | — | — | 49,720 |
| Totals..... | \$ 5,004,824 | \$ 5,788,332 | \$ 3,337,981 | \$ 1,534,305 | \$ 18,893 | \$ 403 | \$ 2,795,802 |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2018, the State Treasurer had 6.16% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. In addition, LGIP had investments with JP Morgan Securities LLC, Sumitomo Mitsui Banking Corporation, and the Toronto-Dominion Bank that represented 5.20%, 5.02%, and 5.01% respectively of total investments. As of June 30, 2018, less than 5% of the State's general investment portfolio was in an overnight repurchase agreement with Bank of America.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2018, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

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| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|----------------------------------|----------------------|----------------------------------|--------------------|-------------------|-------------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| U.S. agencies..... | \$ 4,944,945 | \$ 1,517,657 | \$ 3,284,028 | \$ 143,229 | \$ 31 |
| Mortgage backed obligations..... | 705 | — | — | — | 705 |
| Corporate bonds..... | 3,485,158 | 1,185,971 | 2,097,073 | 174,919 | 27,195 |
| Municipal bonds..... | 5,172 | — | 5,172 | — | — |
| Repurchase agreements..... | 844,037 | 844,037 | — | — | — |
| Asset backed securities..... | 755,786 | — | — | 12,461 | 743,325 |
| Commercial paper..... | 494,594 | 494,594 | — | — | — |
| Other..... | 63,979 | 32,800 | 24,973 | 6,206 | — |
| Totals..... | \$ 10,594,376 | \$ 4,075,059 | \$5,411,246 | \$ 336,815 | \$ 771,256 |

Agencies that manage their own investments may have interest rate risk policies that differ from that of the State Treasurer. Some of these agencies may not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2018, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|--------------------------------|---------------------|----------------------------------|---------------------|-----------------|------------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| U.S. treasuries..... | \$ 153,086 | \$ 119,832 | \$ 32,210 | \$ 1,044 | \$ — |
| U.S. agencies..... | 224,362 | 222,088 | 1,990 | 284 | — |
| Corporate bonds..... | 466,375 | 90,414 | 375,162 | 698 | 101 |
| Repurchase agreements..... | 400,044 | 400,044 | — | — | — |
| Commercial paper..... | 5,660,145 | 4,177,095 | 1,483,050 | — | — |
| Money market mutual funds..... | 10,735 | 10,735 | — | — | — |
| Bond mutual funds..... | 714,801 | — | 699,463 | — | 15,338 |
| Totals..... | \$ 7,629,548 | \$ 5,020,208 | \$ 2,591,875 | \$ 2,026 | \$ 15,439 |

Market Risk

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result from market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section e of this note.

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2018. At June 30, 2018, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2018, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2018, the State met the 102.0% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received.

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Accordingly, at June 30, 2018, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

| | <u>Amount</u> |
|--|--------------------------|
| Securities lent for cash collateral: | |
| U.S. Corporate-fixed income..... | \$ 100,829 |
| Total securities lent for cash collateral..... | <u>\$ 100,829</u> |
| Securities lent for non-cash collateral: | |
| U.S. Corporate-fixed income..... | \$ 3,359 |
| Total securities lent for non-cash collateral.... | <u>\$ 3,359</u> |
| Cash collateral invested as follows: | |
| Repurchase agreements | \$ 103,051 |
| Total for cash collateral invested..... | <u>\$ 103,051</u> |
| Securities received as collateral: | |
| U.S. treasuries..... | \$ 3,423 |
| Total for securities collateral invested..... | <u>\$ 3,423</u> |

At June 30, 2018, the fair value of securities on loan was \$100.829 million. The fair value of the invested cash collateral was \$103.051 million. Securities lending obligations were \$103.051 million.

d. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 thousand or collateralized with securities held by the State or its agent.

As of June 30, 2018, the carrying amount of the Systems' deposits was \$143.862 million and the bank balance was \$148.745 million.

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

Fair Value Measurements

The Systems categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are significant unobservable inputs.

The Systems have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

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| Investments by Fair Value Level | At 6/30/2018 | Fair Value Measurements Using | | |
|--|----------------------|-------------------------------|---------------------|-------------------|
| | | Quoted Prices in | Significant Other | Significant |
| | | Active Markets | | |
| | | for Identical | (Level 2) | Inputs |
| | | Assets | | (Level 3) |
| | | (Level 1) | | |
| Short Term Investments | | | | |
| Short Term Investment Funds (U. S. Regulated)..... | \$ 1,144,204 | \$ 1,144,204 | \$ — | \$ — |
| Certificates of Deposit..... | 29,177 | — | 29,177 | — |
| Commercial Paper..... | 550,063 | — | 550,063 | — |
| Discount Notes..... | 5,792 | — | 5,792 | — |
| U. S. Treasury Bills..... | 246,693 | 246,693 | — | — |
| Non U. S. Government Short Term | 8,261 | — | 8,261 | — |
| Corporate Bonds..... | 6,662 | — | 6,662 | — |
| Total Short Term Investments..... | \$ 1,990,852 | \$ 1,390,897 | \$ 599,955 | \$ — |
| Equity Allocation | | | | |
| Global Public Equity | | | | |
| Common Stocks..... | \$ 4,675,871 | \$ 4,675,871 | \$ — | \$ — |
| Real Estate Investment Trusts..... | 998,445 | 998,445 | — | — |
| Preferred..... | 9,567 | 2,470 | 7,097 | — |
| Convertible Preferred..... | 1,307 | — | 1,307 | — |
| Total Equity..... | \$ 5,685,190 | \$ 5,676,786 | \$ 8,404 | \$ — |
| Fixed Income Allocation | | | | |
| U. S. Government | | | | |
| U.S. Government Treasuries..... | \$ 188,315 | \$ 188,315 | \$ — | \$ — |
| U.S. Government Agencies..... | 837,064 | — | 837,064 | — |
| Mortgage Backed | | | | |
| Government National Mortgage Association..... | 44,034 | — | 44,034 | — |
| Federal National Mortgage Association..... | 43,796 | — | 43,796 | — |
| Federal Home Loan Mortgage Association | 2,344 | — | 2,344 | — |
| Federal Home Loan Mortgage Association (Multiclass)... | 13,771 | — | 13,771 | — |
| Collateralized Mortgage Obligations..... | 15,329 | — | 15,329 | — |
| Municipals..... | 39,207 | — | 39,207 | — |
| Corporate | | | | |
| Corporate Bonds..... | 1,761,577 | — | 1,336,710 | 424,867 |
| Asset Backed Securities..... | 319,022 | — | 319,022 | — |
| Private Placements..... | 853,318 | — | 853,318 | — |
| Yankee Bonds..... | 625 | — | 625 | — |
| Total Fixed Income..... | \$ 4,118,402 | \$ 188,315 | \$ 3,505,220 | \$ 424,867 |
| Total Investments by Fair Value Level..... | \$ 11,794,444 | \$ 7,255,998 | \$ 4,113,579 | \$ 424,867 |

(continued)

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Recurring fair value measurements as of June 30, 2018, continued (amounts in thousands):

Investments measured at net asset value (NAV)

| | |
|--|----------------------|
| Strategic Partnership Short Duration..... | \$ 186,061 |
| Global Equity..... | 5,170,346 |
| Global Tactical Asset Allocation..... | 3,092,930 |
| Mixed Credit..... | 16,685 |
| Emerging Debt..... | 1,149,641 |
| Hedge Funds..... | 3,333,496 |
| Private Equity..... | 2,367,353 |
| Private Debt..... | 1,892,516 |
| Real Estate..... | 1,906,157 |
| Total investments measured at NAV..... | 19,115,185 |
| Total investments measured at fair value..... | \$ 30,909,629 |

| | Fair Value Measurements Using | | |
|---|--------------------------------------|--------------------------|--------------------|
| | Quoted Prices in | | |
| | Active Markets | | |
| | for Identical | Significant Other | |
| | Assets | Observable Inputs | |
| | (Level 1) | (Level 2) | |
| <u>Investment derivative instruments</u> | At 6/30/2018 | | |
| Short Term Investments | | | |
| Options - Cash..... | \$ 1,397 | \$ 1,774 | \$ (377) |
| Futures - Cash..... | 545 | 545 | — |
| Equity Investments | | | |
| Options - Equity..... | (18,104) | 27 | (18,131) |
| Futures - Equity..... | (33,686) | (33,686) | — |
| Swaps - Equity..... | (25,775) | — | (25,775) |
| Fixed Income Investments | | | |
| Options - Fixed Income..... | (158) | (49) | (109) |
| Futures - Fixed Income..... | 2,809 | 2,809 | — |
| Swaps - Fixed Income..... | (211) | — | (211) |
| Total investment derivative instruments..... | \$ (73,183) | \$ (28,580) | \$ (44,603) |
| Total Invested Assets..... | \$ 30,836,446 | | |

For investments measured at net asset value (NAV) (amounts in thousands):

| | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|----------------------|-----------------------------|---|---------------------------------|
| Strategic Partnership Short Duration..... | \$ 186,061 | \$ - | Monthly | 5 - 10 days |
| Global Equity..... | 5,170,346 | - | Daily/Monthly | 5 - 30 days |
| Global Tactical Asset Allocation..... | 3,092,930 | - | Monthly/Quarterly | 5 - 14 days |
| Mixed Credit..... | 16,685 | - | Monthly | 5 - 30 days |
| Emerging Debt..... | 1,149,641 | - | Daily/Monthly | 10 - 15 days |
| Hedge Funds..... | 3,333,496 | - | Monthly/Quarterly | 2 - 90 days |
| Private Equity..... | 2,367,353 | 1,090,568 | Illiquid | Illiquid |
| Private Debt..... | 1,892,516 | 1,585,383 | Illiquid | Illiquid |
| Real Estate..... | 1,906,157 | 789,987 | Illiquid | Illiquid |
| Infrastructure..... | - | 145,937 | Illiquid | Illiquid |
| Total investments measured at the NAV..... | \$ 19,115,185 | | | |

Strategic Partnership Short Duration Funds. This investment type contains one fund that invests primarily in short duration debt instruments which generally have a one to three year maturity. The fair values of the investments have been determined using the percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

Global Equity Funds. This investment type includes eleven funds that invests primarily in global developed and emerging equity public markets instruments. One of the funds invests in an equity options strategy. The fair values of the investments in

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this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

Global Tactical Asset Allocation Funds. This investment type includes five funds that may be invested in liquid securities and instruments including, but not limited to equities, fixed income securities, bank loans, commodities, futures, swaps, forwards, options and currencies. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are allowed monthly, provided adequate notice, except for one fund that may require a longer redemption timeframe and may be subject to gates and/or lock-ups.

Mixed Credit Funds. This investment type includes one fund that generally invests in high yield, bank loan and structured credit instruments. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

Emerging Debt Funds. This investment type includes four funds that generally invests in debt securities issued in any currency and may hold foreign currency. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice, and one fund charges a redemption fee.

Hedge Funds. This investment type includes fourteen funds that generally invests in hedge fund strategies that seek alpha in equity or credit markets, or seek to minimize embedded market beta. There are six of these funds invested through strategic partnership investments which may consist of underlying investments in more than one hedge fund. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice; however, it is common that funds have authority to require longer redemption timeframes and/or make the redemption subject to gates in order to mitigate any detrimental impact to the fund.

Private Equity Funds. This investment type includes 44 funds that consist of investments in limited partnerships or co-investments and five funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private equity investments span the venture capital, growth equity, fund of funds, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Debt Funds. This investment type includes twenty-five funds that consist of investments in limited partnerships and 5 funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, opportunistic and other strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Real Estate Funds. This investment type includes twenty-eight funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, timber, value add and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Infrastructure Funds. This investment type includes one fund that has been subscribed to but has not yet called capital. Common types of infrastructure investments are in transportation, energy, telecommunications, water supply, sewage, or hospitals. These assets tend to benefit from a rising inflation environment. Infrastructure is considered an illiquid investment strategy as funds generally have a life span of 20 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (RSIC) has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio. Disclosures for interest rate risk at June 30, 2018, are noted below (amounts in thousands):

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| Investment Type | Fair Value Total | Fair Value Duration Not Available | Fair Value Duration Available | Effective Duration (option adjusted duration) |
|--|---------------------|---|-------------------------------------|--|
| Short Term Investments | | | | |
| Short Term Investment Funds (U.S. Regulated)..... | \$ 1,144,204 | \$ — | \$ 1,144,204 | 0.08 |
| Invested Securities Lending Collateral..... | 34,612 | — | 34,612 | 0.01 |
| Certificates of Deposit..... | 29,177 | — | 29,177 | 0.05 |
| Commercial Paper..... | 550,063 | 3,950 | 546,113 | 0.08 |
| Discount Notes..... | 5,792 | — | 5,792 | 0.08 |
| U. S. Treasury Bills..... | 246,693 | — | 246,693 | 0.29 |
| Non U. S. Government Short Term..... | 8,261 | — | 8,261 | 0.07 |
| Corporate Bonds..... | 6,662 | — | 6,662 | 0.05 |
| Strategic Partnership Short Duration..... | 186,061 | — | 186,061 | 0.13 |
| Options - Cash..... | 1,397 | 1,464 | (67) | 0.24 |
| Futures - Cash..... | 545 | — | 545 | 1.14 |
| Total Short Term Investments..... | 2,213,467 | 5,414 | 2,208,053 | |
| Equity Allocation | | | | |
| Preferred..... | \$ 9,567 | \$ 6,749 | \$ 2,818 | 3.31 |
| Convertible Preferred..... | 1,307 | — | 1,307 | 0.04 |
| Total Equity Investments..... | 10,874 | 6,749 | 4,125 | |
| Fixed Income Allocation | | | | |
| U.S. Government: | | | | |
| U.S. Government Treasuries..... | 188,315 | — | 188,315 | 7.54 |
| U.S. Government Agencies..... | 837,064 | — | 837,064 | 2.84 |
| Mortgage Backed: | | | | |
| Government National Mortgage Association..... | 44,034 | 5,132 | 38,902 | 5.27 |
| Federal National Mortgage Association..... | 43,796 | — | 43,796 | 4.99 |
| Federal Home Loan Mortgage Association..... | 2,344 | — | 2,344 | 6.28 |
| Federal Home Loan Mortgage Association (FHLMC Multiclass) | 13,771 | — | 13,771 | 9.15 |
| Collateralized Mortgage Obligations..... | 15,329 | — | 15,329 | 9.92 |
| Municipals..... | 39,207 | 30,825 | 8,382 | 4.59 |
| Corporate: | | | | |
| Corporate Bonds..... | 1,761,577 | 69,367 | 1,692,210 | 2.05 |
| Mixed Credit..... | 16,685 | — | 16,685 | 0.02 |
| Asset Backed Securities..... | 319,022 | 27,952 | 291,070 | 0.65 |
| Private Placements..... | 853,318 | 86,781 | 766,537 | 1.10 |
| Yankee Bonds..... | 625 | — | 625 | 1.59 |
| Emerging Debt..... | 1,149,641 | — | 1,149,641 | 5.65 |
| Options - Fixed Income..... | (158) | (51) | (107) | (113.90) |
| Futures - Fixed Income..... | 2,809 | (308) | 3,117 | 1.81 |
| Swaps - Fixed Income..... | (211) | (2,920) | 2,709 | 10.16 |
| Total Fixed Income..... | 5,287,168 | 216,778 | 5,070,390 | |
| Mixed Credit Hedge Fund Allocation | | | | |
| Mixed Credit Hedge Funds..... | 52,287 | — | 52,287 | (0.06) |
| Total Mixed Credit Hedge Funds..... | 52,287 | — | 52,287 | |
| Total Invested Assets..... | \$ 7,563,796 | \$ 228,941 | \$ 7,334,855 | |
| Total Portfolio Effective Duration (option adjusted duration) | | | | 2.16 |

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Systems' staff. The Systems' fixed income investments at June 30, 2018 were rated by Moody's and are presented below (expressed in thousands):

| Investment Type and Fair Value | AAA | AA | A | BAA | BA | B | CAA | CA | C | NR ¹ |
|--|--------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-----------------|-----------------|--------------------|
| Short Term Investments | | | | | | | | | | |
| Short Term Investment Funds (U.S. Regulated)..... | \$ 1,144,204 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Invested Securities Lending Collateral..... | — | — | — | — | — | — | — | — | — | 34,612 |
| Certificates of Deposit..... | — | — | — | — | — | — | — | — | — | 29,177 |
| Commercial Paper..... | — | 257,202 | — | 271,893 | — | — | — | — | — | 20,968 |
| Discount Notes..... | 5,792 | — | — | — | — | — | — | — | — | — |
| Non U.S. Government Short Term..... | — | — | — | — | — | — | — | — | — | 8,261 |
| Corporate Bonds..... | — | 2,052 | 4,104 | — | — | — | — | — | — | 506 |
| Strategic Partnership Short Duration..... | — | — | — | — | — | — | — | — | — | 186,061 |
| Options - Cash..... | — | — | — | — | — | — | — | — | — | 1,397 |
| Futures - Cash..... | — | — | — | — | — | — | — | — | — | 545 |
| Equity Investments | | | | | | | | | | |
| Preferred..... | — | — | — | 1,379 | 1,439 | — | — | — | — | 6,749 |
| Convertible Preferred..... | — | — | — | 1,307 | — | — | — | — | — | — |
| Fixed Income Allocation² | | | | | | | | | | |
| Mortgage Backed: | | | | | | | | | | |
| Federal National Mortgage Association..... | 43,796 | — | — | — | — | — | — | — | — | — |
| Federal Home Loan Mortgage Association..... | 2,344 | — | — | — | — | — | — | — | — | — |
| Federal Home Loan Mortgage Association (Multiclass)..... | 13,771 | — | — | — | — | — | — | — | — | — |
| Collateralized Mortgage Association..... | 15,329 | — | — | — | — | — | — | — | — | — |
| Municipals..... | 630 | — | 12,900 | — | — | — | — | — | — | 25,677 |
| Corporate: | | | | | | | | | | |
| Corporate Bonds..... | 66,597 | 168,553 | 369,673 | 249,489 | 206,022 | 231,609 | 44,012 | 8,146 | 12,866 | 404,610 |
| Mixed Credit..... | — | — | — | — | — | — | — | — | — | 16,685 |
| Asset Backed Securities..... | 70,243 | 2,188 | 8,958 | 29,404 | 99,681 | 19,738 | 12,162 | 14,385 | — | 62,263 |
| Private Placements..... | 68,390 | 125,371 | 157,504 | 60,067 | 60,961 | 64,879 | 34,807 | 2,036 | — | 279,303 |
| Yankee Bonds..... | — | — | — | — | 625 | — | — | — | — | — |
| Emerging Debt..... | — | — | — | — | — | — | — | — | — | 1,149,641 |
| Options - Fixed Income..... | — | — | — | — | — | — | — | — | — | (158) |
| Futures - Fixed Income..... | — | — | — | — | — | — | — | — | — | 2,809 |
| Swaps - Fixed Income..... | — | — | — | — | — | — | — | — | — | (211) |
| Totals..... | \$1,431,096 | \$555,366 | \$553,139 | \$ 613,539 | \$368,728 | \$316,226 | \$ 90,981 | \$24,567 | \$12,866 | \$2,228,895 |

¹NR represents securities that were either not rated or had a withdrawn rating.

²U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of \$1.03 billion are not included in the above table because they are not subject to credit risk.

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6.0% exposure to any single issuer." As of June 30, 2018, there is no single issuer exposure within the portfolio that comprises 5.0% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy forbids speculating in forwards and other derivatives.

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The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2018 (amounts in thousands):

| Currency | Cash & Cash Equivalents | Forward Contracts | Futures Contracts | Private Equity | Preferred Securities | Fixed Income | Equity | Total |
|--------------------------|----------------------------|----------------------|----------------------|-------------------|-------------------------|-------------------|--------------------|--------------------|
| Australian Dollar..... | \$ 2,096 | \$ 29,327 | \$ 26 | \$ 39,740 | \$ — | \$ 3,198 | \$ 126,130 | \$ 200,517 |
| Canadian Dollar..... | 10,474 | 35,534 | 405 | — | — | 205 | 235,139 | 281,757 |
| Czech Koruna..... | — | 43 | — | — | — | — | — | 43 |
| Danish Krone..... | 141 | (10,987) | — | — | — | 11,238 | 36,836 | 37,228 |
| Euro Currency..... | 18 | 54,677 | (5,126) | 186,379 | 2,470 | 188,588 | 556,195 | 983,201 |
| Hong Kong Dollar..... | (1,756) | 22,078 | (2) | — | — | — | 75,325 | 95,645 |
| Hungarian Forint..... | 8,261 | (8,273) | — | — | — | — | — | (12) |
| Israeli Shekel..... | 18 | (4,218) | — | — | — | 4,227 | 5,579 | 5,606 |
| Japanese Yen..... | 2,615 | 106,825 | (2,997) | — | — | (450) | 402,466 | 508,459 |
| Mexican Peso..... | 326 | 1,311 | — | — | — | — | 3,606 | 5,243 |
| New Zealand Dollar..... | 55 | — | — | — | — | — | 6,473 | 6,528 |
| Norwegian Krone..... | 456 | (549) | — | — | — | — | 38,441 | 38,348 |
| Pound Sterling..... | 5,243 | 71,070 | (671) | — | — | 10,743 | 294,015 | 380,400 |
| Russian Ruble (New)..... | — | (288) | — | — | — | — | — | (288) |
| Singapore Dollar..... | 407 | — | — | — | — | — | 19,619 | 20,026 |
| South African Rand..... | — | 118 | — | — | — | — | — | 118 |
| Swedish Krona..... | 732 | 22,129 | (20) | — | — | — | 48,340 | 71,181 |
| Swiss Franc..... | 246 | 137 | — | — | — | — | 102,130 | 102,513 |
| Totals..... | \$ 29,332 | \$ 318,934 | \$ (8,385) | \$226,119 | \$ 2,470 | \$ 217,749 | \$1,950,294 | \$2,736,513 |

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, total return swaps, interest-only strips, and CMOs to enhance the performance and reduce volatility. To comply with the requirements of multiple exchanges, cash and securities in the amount of \$192.1 and \$288.9 million, respectively, were held in trust by the clearing brokers on June 30, 2018. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on the following pages. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- **Asset Allocation:** In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient Market Theory dictates that in some asset classes, synthetics are the best way to achieve exposure.
- **Risk Management:** Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- **Cost:** A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

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Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The tables below present classification information on the Systems' derivatives at June 30, 2018 (amounts in thousands):

| | | Changes in Fair Value | |
|------------------------|---------------------------------|-----------------------|-------------|
| | | Classification | Gain/(Loss) |
| Futures Contracts..... | Net appreciation/(depreciation) | | \$ (4,385) |
| Forward Contracts..... | Net appreciation/(depreciation) | | (1,039) |
| Swaps | Net appreciation/(depreciation) | | (23,751) |

| | | Fair Value | | | |
|------------------------------|-----------|-------------------|--------------------|------------------|--------------------|
| | | Forward Contracts | Futures | Options | Swaps |
| Cash & Cash Equivalents..... | \$ | (8,061) | \$ 545 | \$ 1,397 | \$ — |
| Fixed Income..... | | — | 2,809 | (158) | (211) |
| Equity..... | | — | (33,686) | 804,428 | (25,775) |
| Totals | \$ | (8,061) | \$ (30,332) | \$805,667 | \$ (25,986) |

At June 30, 2018, the Systems had the following exposure via futures contracts (amounts in thousands):

| Futures Contracts | Expiration | Long/Short | Quantity | Notional Value* |
|--|------------|------------|----------|-----------------|
| 90DAY EURO\$ FUTURE (CME)..... | EXP DEC 19 | Short | (50) | \$ (12,129) |
| 90DAY EURO\$ FUTURE (CME)..... | EXP DEC 20 | Short | (86) | (20,859) |
| 90DAY EURO\$ FUTURE (CME)..... | EXP SEP 20 | Short | (138) | (33,474) |
| 90DAY EURO\$ FUTURE (CME)..... | EXP JUN 20 | Short | (316) | (76,646) |
| 90DAY EURO\$ FUTURE (CME)..... | EXP MAR 20 | Short | (209) | (50,693) |
| Total Cash & Cash Equivalents | | | | (193,801) |
| OMXS30 IND FUTURE (SSE)..... | EXP JUL 18 | Long | 703 | 12,267 |
| FTSE 100 INDEX FUTURE (ICF)..... | EXP SEP 18 | Long | 845 | 84,803 |
| TOPIX INDEX FUTURE (OSE)..... | EXP SEP 18 | Long | 750 | 117,174 |
| HANG SENG INDEX FUTURE (HKG)..... | EXP JUL 18 | Long | 112 | 20,504 |
| AMSTERDAM INDEX FUTURE (EOE)..... | EXP JUL 18 | Long | 146 | 18,805 |
| FTSE/MIB INDEX FUTURE (MIL)..... | EXP SEP 18 | Long | 110 | 13,850 |
| CAC40 10 EURO FUTURE (EOP)..... | EXP JUL 18 | Long | 908 | 56,405 |
| IBEX 35 INDEX FUTURE (MFM)..... | EXP JUL 18 | Long | 136 | 15,246 |
| EURO STOXX 50 FUTURE (EUX)..... | EXP SEP 18 | Long | 1,291 | 51,113 |
| DAX INDEX FUTURE (EUX)..... | EXP SEP 18 | Long | 131 | 47,064 |
| S&P/TSX 60 INDEX FUTURE (MSE)..... | EXP SEP 18 | Long | 310 | 45,403 |
| SPI 200 FUTURE (SFE)..... | EXP SEP 18 | Long | 298 | 33,841 |
| S & P 500 EMINI INDEX FUT (CME)..... | EXP SEP 18 | Long | 14,628 | 1,990,578 |
| Total Equity | | | | 2,507,053 |

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| | | | | |
|------------------------------------|------------|-------|-------|----------------------------|
| EURO-OAT FUTURE (EUX)..... | EXP SEP 18 | Short | (239) | (43,124) |
| JPN 10YR BOND FUTURE (OSE)..... | EXP SEP 18 | Short | (4) | (5,447) |
| EURO BUXL 30Y BND FUTURE (EUX)... | EXP SEP 18 | Short | (39) | (8,091) |
| EURO-BUND FUTURE (EUX)..... | EXP SEP 18 | Short | (34) | (6,453) |
| CANADA 10YR BOND FUTURE (MSE). | EXP SEP 18 | Short | (7) | (727) |
| AUST 10Y BOND FUTURE (SFE)..... | EXP SEP 18 | Short | (241) | (23,035) |
| US LONG BOND FUTURE (CBT)..... | EXP SEP 18 | Short | (251) | (36,395) |
| US LONG BOND FUTURE (CBT)..... | EXP SEP 18 | Long | 25 | 3,625 |
| US 2YR TREAS NTS FUT (CBT)..... | EXP SEP 18 | Long | 2,962 | 627,435 |
| US 5YR TREAS NTS FUTURE (CBT)..... | EXP SEP 18 | Long | 3,866 | 439,244 |
| US 10YR NOTE FUTURE (CBT)..... | EXP SEP 18 | Long | 1,924 | 231,241 |
| US 5YR TREAS NTS FUTURE (CBT)..... | EXP SEP 18 | Long | 740 | 84,077 |
| US 10YR NOTE FUTURE (CBT)..... | EXP SEP 18 | Long | 741 | 89,059 |
| US 5YR TREAS NTS FUTURE (CBT)..... | EXP SEP 18 | Short | (218) | (24,769) |
| US 10YR ULTRA FUTURE (CBT)..... | EXP SEP 18 | Short | (34) | (4,360) |
| Total Fixed Income | | | | <u>1,322,280</u> |
| Totals | | | | <u>\$ 3,635,532</u> |

**Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are “over-the-counter” (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. As of June 30, 2018, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

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| Broker | Notional Value | Fair Value | Counterparty Exposure |
|---|---------------------|-------------------|-----------------------|
| Bank of America..... | \$ 43,151 | \$ 131 | 2.28% |
| Bank of Montreal..... | 175,677 | (2,272) | 9.27% |
| BNP Paribas..... | 14,116 | (131) | 0.74% |
| BNY Mellon..... | 240,546 | 777 | 12.70% |
| Brown Brothers Harriman..... | 14,819 | (3) | 0.78% |
| Citibank NA..... | 50,749 | 9 | 2.68% |
| Citigroup Global Markets..... | 364 | (1) | 0.01% |
| Commonwealth Bank of Australia..... | 175,638 | (2,233) | 9.27% |
| Credit Agricole..... | 128 | (10) | 0.01% |
| Credit Suisse International London..... | 1,365 | 1 | 0.07% |
| Goldman Sachs | 80,853 | 915 | 4.27% |
| HSBC Bank | 16,816 | 24 | 0.89% |
| JP Morgan Chase Bank..... | 89,060 | 1,754 | 4.70% |
| Merrill Lynch International | 56 | (2) | — |
| Morgan Stanley..... | 10,299 | 342 | 0.54% |
| Natwest Markets..... | 781 | 49 | 0.04% |
| Royal Bank of Canada..... | 425,129 | (2,284) | 22.44% |
| Standard Chartered Bank London..... | 17,047 | (447) | 0.90% |
| State Street Boston Capital Market..... | 152,994 | (184) | 8.08% |
| Toronto Dominion..... | 2,964 | (58) | 0.16% |
| UBS AG/Stamford CT..... | 206,451 | (2,280) | 10.90% |
| Westpac Banking Corp..... | 175,563 | (2,158) | 9.27% |
| Totals..... | \$ 1,894,566 | \$ (8,061) | 100.00% |

Swaps

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

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The table below reflects the counterparty credit ratings at June 30, 2018, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

| Quality Rating | Forwards | Swaps | Options | Total |
|---------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Aa2..... | \$ (1,529) | \$ — | \$ — | \$ (1,529) |
| Aa3..... | (5,100) | (22,991) | (226) | (28,317) |
| A1..... | (1,817) | (2,763) | (91) | (4,671) |
| A2..... | (1) | (4,175) | | (4,176) |
| A3..... | (2) | — | | (2) |
| Baa2..... | 49 | | (109) | (60) |
| NR..... | 339 | | 37 | 376 |
| Total subject to credit risk..... | <u>\$ (8,061)</u> | <u>\$ (29,929)</u> | <u>\$ (389)</u> | <u>\$ (38,379)</u> |
| Centrally cleared: | | | | |
| Chicago Board Options Exchange..... | \$ — | \$ — | \$ (16,476) | \$ (16,476) |
| Chicago Mercantile Exchange..... | — | 492 | — | 492 |
| Intercontinental Exchange..... | — | 1,512 | — | 1,512 |
| LCH Ltd..... | — | 1,939 | — | 1,939 |
| Total not subject to credit risk..... | <u>\$ —</u> | <u>\$ 3,943</u> | <u>\$ (16,476)</u> | <u>\$ (12,533)</u> |
| Total..... | <u>\$ (8,061)</u> | <u>\$ (25,986)</u> | <u>\$ (16,865)</u> | <u>\$ (50,912)</u> |

At June 30, 2018, the Systems held swaps as shown in the tables below (amounts in thousands):

| Counterparty | Total Return Swaps | SCRS Pays | SCRS Receives | Maturity Date | Current Notional | Fair Value* | Gain (Loss) Since Trade |
|-----------------|-------------------------------|---------------------------------|---------------------------|---------------|---------------------|--------------------|-------------------------|
| Bank of America | Russell 2000 Proxy | Russell 2000 Index Total Return | ICE LIBOR USD 3M - 30 bps | 9/28/2018 | \$ (273,449) | \$ (18,326) | \$ (18,325) |
| Barclays | Barclays US Agg Proxy | ICE LIBOR USD 1M + 24 bps | LBUSTRUU Index | 1/31/2019 | 347,116 | (1,093) | (4,619) |
| Barclays | Barclays US Securitized Proxy | ICE LIBOR USD 1M + 15 bps | LD19TRUU Index | 7/31/2018 | 129,575 | (200) | (2,273) |
| Barclays | Barclays US Corporate Proxy | ICE LIBOR USD 1M + 25 bps | LUACTRUU Index | 7/31/2018 | 98,452 | (772) | (3,571) |
| Barclays | Barclays US Agg Proxy | ICE LIBOR USD 1M + 26 bps | LBUSTRUU Index | 2/28/2019 | 355,788 | (1,152) | (892) |
| Barclays | Barclays US Agg Proxy | ICE LIBOR USD 1M + 27 bps | LBUSTRUU Index | 9/28/2018 | 296,294 | (966) | (7,975) |
| Goldman Sachs | MSCI World Swap Proxy | ICE LIBOR USD 3M | NDDUWI Index | 7/31/2018 | 541,492 | 894 | (30,972) |
| Goldman Sachs | Russell 2500 Growth Proxy | ICE LIBOR USD 3M + 29 bps | Russell 2500 Growth Index | 11/30/2018 | 141,914 | (3,651) | 11,900 |
| JP Morgan | Russell 2000 Proxy | Russell 2000 Index Total Return | ICE LIBOR USD 3M - 23 bps | 10/31/2018 | (72,662) | (4,692) | (4,692) |
| | | | | | <u>\$ 1,564,520</u> | <u>\$ (29,958)</u> | <u>\$ (61,419)</u> |

| Counterparty | Fixed Income Swaps | SCRS Pays | SCRS Receives | Maturity Date | Current Notional | Fair Value* |
|-----------------------------|------------------------------|----------------|----------------|---------------|-------------------|-----------------|
| Bank of America | Credit Default Swaps | Fixed/Variable | Fixed/Variable | various | \$ 2,450 | \$ 19 |
| Barclays | Credit Default Swaps | Fixed Rate | Variable Rate | 12/20/23 | 400 | 8 |
| Credit Suisse | Credit Default Swaps | Variable Rate | Fixed Rate | 9/17/58 | 12,500 | (6) |
| HSBC Securities | Credit Default Swaps | Variable Rate | Fixed Rate | 6/20/21 | 1,200 | 9 |
| JP Morgan | Credit Default Swaps | Variable Rate | Fixed Rate | 9/17/58 | 2,200 | (1) |
| Chicago Mercantile Exchange | Cleared Interest Rate Swaps | Fixed Rate | Variable Rate | various | 303,318 | 492 |
| Intercontinental Exchange | Cleared Credit Default Swaps | Variable Rate | Fixed Rate | various | 99,600 | 1,512 |
| LCH Ltd | Cleared Interest Rate Swaps | Fixed/Variable | Fixed/Variable | various | 149,658 | 1,939 |
| | | | | | <u>\$ 571,326</u> | <u>\$ 3,972</u> |

*Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.

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Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. As of June 30, 2018, the Systems had the following option positions (amounts in thousands):

| Option Contracts | Underlying Security | Expiration | Quantity | Fair Value |
|-----------------------------------|----------------------------------|---------------|--------------|--------------------|
| Put Dec 19 097.000 ED 12/16/19 | 90DAY EUROSODOLLAR FUTURE DEC 19 | December 2019 | (1,083) | \$ (663) |
| Put Dec 19 097.625 ED 12/16/19 | 90DAY EUROSODOLLAR FUT DEC 19 | December 2019 | 1,083 | 1,841 |
| Put Dec 18 097.625 ED 12/17/18 | 90DAY EUROSODOLLAR FUTURE DEC 18 | December 2018 | 2,328 | 1,688 |
| Put Dec 18 097.500 ED 12/17/18 | 90DAY EUROSODOLLAR FUT DEC 18 | December 2018 | (2,328) | (1,091) |
| Call Aug 18 019.500 ED 082118 | MXN/USD SPOT OPTION 2018 | August 2018 | (3,050,000) | (97) |
| Call Aug 18 066.190 ED 082418 | RUB/USD SPOT OPTION 2018 | August 2018 | (1,400,000) | (12) |
| Call Aug 18 066.090 ED 082718 | RUB/USD SPOT OPTION 2018 | August 2018 | (1,400,000) | (12) |
| Call Aug 18 065.962 ED 082418 | RUB/USD SPOT OPTION 2018 | August 2018 | (3,400,000) | (25) |
| Call Aug 18 066.400 ED 08/24/2018 | RUB/USD SPOT OPTION 2018 | August 2018 | (2,300,000) | (15) |
| Call Aug 18 067.400 ED 081718 | RUB/USD SPOT OPTION 2018 | August 2018 | (1,000,000) | (4) |
| Call Aug 18 066.550 ED 081718 | RUB/USD SPOT OPTION 2018 | August 2018 | (1,800,000) | (9) |
| Call Aug 18 066.490 ED 081718 | RUB/USD SPOT OPTION 2018 | August 2018 | (1,800,000) | (9) |
| Call July 18 066.600 ED 07/9/18 | RUB/USD SPOT OPTION 2018 | July 2018 | (1,700,000) | (1) |
| Call July 18 066.3834 ED 070218 | RUB/USD SPOT OPTION 2018 | July 2018 | (1,400,000) | — |
| Call Aug 18 021.850 ED 081718 | MXN/USD SPOT OPTION 2018 | August 2018 | (1,600,000) | (4) |
| Call July 18 021.250 ED 071118 | MXN/USD SPOT OPTION 2018 | July 2018 | (480,000) | (1) |
| Call July 18 021.200 ED 070518 | MXN/USD SPOT OPTION 2018 | July 2018 | (2,020,000) | (1) |
| Call July 18 019.250 ED 071918 | MXN/USD SPOT OPTION 2018 | July 2018 | (3,050,000) | (96) |
| Call Aug 18 021.940 ED 081618 | MXN/USD SPOT OPTION 2018 | August 2018 | (1,800,000) | (3) |
| Call Aug 18 021.920 ED 082118 | MXN/USD SPOT OPTION 2018 | August 2018 | (1,800,000) | (4) |
| Put July 18 001.332 ED 071218 | USD/GBP SPOT OPTION 2018 | July 2018 | (1,441,000) | (21) |
| Put July 18 001.3225 ED 071218 | USD/GBP SPOT OPTION 2018 | July 2018 | (3,800,000) | (32) |
| Put Aug 18 000.722 ED 08/20/18 | USD/AUD SPOT OPTION 2018 | August 2018 | (8,200,000) | (32) |
| Total Cash & Cash Equivalents | | | | 1,397 |
| Put July 18 000.750 ED 07/18/18 | CDX SP CDX.NA.IG.30 V1 | July 2018 | (2,100,000) | \$ (1) |
| Put July 18 000.750 ED 071818 | CDX SP CDX.NA.IG.30 V1 062023 | July 2018 | (2,200,000) | (1) |
| Put Dec 19 002.945 ED 120919 | IRS P US0003M R 2.945% 12/11/4 | December 2019 | 2,200,000 | 144 |
| Put Aug 18 002.940 ED 08/20/18 | IRS P USD 30Y 97BPS R 2.94% | August 2018 | 1,600,000 | 35 |
| Put Aug 18 002.800 ED 08/20/18 | IRS P USD 5Y 22BPS R 2.8% | August 2018 | (6,900,000) | (51) |
| Put Aug 18 002.905 ED 082018 | IRS P USD 30Y 98BPS R 2.905% | August 2018 | 4,900,000 | 130 |
| Put Aug 18 002.800 ED 082018 | IRS P USD 5Y 22BPS R 2.8% | August 2018 | (21,600,000) | (159) |
| Put Dec 19 002.750 ED 12/09/19 | IRS P US0003M R 2.75% 12/11/24 | December 2019 | (9,900,000) | (206) |
| Put Aug 18 119.500 ED 072718 | US 10YR NOTE FUTURE SEP 18 | August 2018 | (59) | (11) |
| Put Aug 18 161.500 ED 07/27/18 | EURO-BUND FUTURE SEP 18 | August 2018 | (78) | (28) |
| Put Aug 15 160.500 ED 07/27/18 | EURO-BUND FUTURE SEP 18 | August 2018 | (71) | (10) |
| Total Fixed Income | | | | (158) |
| Put July 18 2770.000 ED 072018 | S&P 500 INDEX SPX | July 2018 | (1,154) | \$ (6,636) |
| Put July 18 2755.000 ED 072718 | S & P 500 INDEX (SPX) | July 2018 | (383) | (1,969) |
| Put July 18 2780.000 ED 071318 | S & P 500 INDEX (SPX) | July 2018 | (380) | (2,367) |
| Put Aug 18 2720.000 ED 083118 | S & P 500 INDEX (SPX) | August 2018 | (1,154) | (6,497) |
| Put July 18 2730.000 ED 070618 | S & P 500 INDEX (SPX) | July 2018 | (384) | (856) |
| Call Jan 19 3000.000 ED 011819 | S & P 500 INDEX (SPX) | January 2019 | 116 | 124 |
| Call Jan 19 055.000 ED 011819 | ISHARES MSCI EMERGING MARKET | January 2019 | 5,367 | 27 |
| Put July 18 2770.000 ED 072018 | S & P 500 INDEX (SPX) | July 2018 | 1,508 | 70 |
| Total Equity | | | | (18,104) |
| Total | | | | \$ (16,865) |

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Alternative Investments

The Alternative Investment category includes the following asset classes: private equity, hedge funds, private debt, real estate, and infrastructure.

Private equity, private debt, and real estate investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. Hedge fund and commodities investments are typically on subscription basis with a single, initial investment with no further commitment.

The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts may include allocations to any asset class including those considered alternative investments. Assets of Strategic Partnerships are reported within their respective asset class totals.

The Investment Commission's intent is to access superior risk-adjusted returns through investing in alternative investment asset classes. Due to their low correlation to traditional asset classes, alternative investments diversify the portfolio and help reduce the risk associated with volatility of returns.

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt, real estate and private infrastructure investments. As of June 30, 2018, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

| | Total | Amount | Remaining |
|-----------------------------------|----------------------|---------------------|---------------------|
| | Commitment | Funded | Unfunded |
| Limited Partnerships USD | | To Date | Commitment |
| Private Equity..... | \$ 4,137,812 | \$ 3,304,186 | \$ 833,626 |
| Private Debt..... | 5,064,658 | 3,479,275 | 1,585,383 |
| Real Estate..... | 3,120,476 | 2,330,489 | 789,987 |
| Totals | \$ 12,322,946 | \$ 9,113,950 | \$ 3,208,996 |
| Limited Partnerships Euros | | | |
| Private Equity..... | € 429,080 | € 244,185 | € 184,895 |
| Infrastructure..... | 125,000 | — | 125,000 |
| Totals | € 554,080 | € 244,185 | € 309,895 |
| Limited Partnerships AUD | | | |
| Private Equity..... | \$ 100,000 | \$ 44,401 | \$ 55,599 |
| Totals | \$ 100,000 | \$ 44,401 | \$ 55,599 |

Securities Lending

The Retirement Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102% of the fair value of the securities loaned for U.S. Securities, 105% for cross currency securities and 107% for equity securities, providing a margin against a decline in the market value of collateral. If the collateral value falls below 102%, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of \$1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2018 included U.S. Government securities, U.S. Government agencies, corporate bonds, non U.S. sovereign debt and global equities. The contractual agreement between the RSIC and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash, U. S. Government securities, corporate securities, asset-backed securities and global equities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset.

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A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2018, the fair value of securities on loan was \$78.639 million. The fair value of the invested cash collateral was \$34.612 million. Securities lending obligations were \$81.591 million with an unrealized loss in invested cash collateral of \$46.979 million. The unrealized loss from securities lending activity was determined based on the settlement agreement between BNY Mellon and the State.

Under the agreement with BNY Mellon, the \$46.979 million in unrealized loss is being gradually offset by a portion of securities lending earnings over a period of years. The gross securities lending revenue for the fiscal year was \$1.993 million, an increase from \$773 thousand in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2018, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

| | SCRS | PORS | GARS | JSRS | SCNG | TOTALS |
|---|-------------------|-------------------|---------------|-----------------|---------------|---------------------|
| Securities lent for cash collateral: | | | | | | |
| Corporate bonds..... | \$ 11,941 | \$ 2,046 | \$ 14 | \$ 71 | \$ 11 | \$ 14,083 |
| Global Public Equity..... | 54,737 | 9,380 | 62 | 324 | 53 | 64,556 |
| Total securities lent for cash collateral..... | \$ 66,678 | \$ 11,426 | \$ 76 | \$ 395 | \$ 64 | \$ 78,639 |
| Securities lent for non-cash collateral: | | | | | | |
| U.S Government Securities..... | \$ 66,512 | \$ 11,398 | \$ 76 | \$ 394 | \$ 64 | \$ 78,444 |
| Corporate bonds..... | 168 | 29 | — | 1 | — | 198 |
| Global Public Equity..... | 726,125 | 124,433 | 827 | 4,300 | 700 | 856,385 |
| Total securities lent for non-cash collateral... | \$ 792,805 | \$ 135,860 | \$ 903 | \$ 4,695 | \$ 764 | \$ 935,027 |
| Cash collateral invested as follows: | | | | | | |
| Repurchase agreements..... | \$ 29,348 | \$ 5,029 | \$ 33 | \$ 174 | \$ 28 | \$ 34,612 |
| Total cash collateral invested..... | \$ 29,348 | \$ 5,029 | \$ 33 | \$ 174 | \$ 28 | \$ 34,612 |
| Securities received as collateral: | | | | | | |
| U.S. Government securities..... | \$ 149,018 | \$ 25,537 | \$ 170 | \$ 883 | \$ 143 | \$ 175,751 |
| Global Public Equity..... | 681,613 | 116,805 | 776 | 4,036 | 657 | 803,887 |
| Global Fixed Income..... | 41,173 | 7,056 | 47 | 244 | 40 | 48,560 |
| Total securities received as collateral..... | \$ 871,804 | \$ 149,398 | \$ 993 | \$ 5,163 | \$ 840 | \$ 1,028,198 |

e. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2018, the Trusts had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

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Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to the Trust's investments in the State internal cash management pool, all of the Trust's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Fair Value Measurements

The Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trusts have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

| Investments by Fair Value Level | At 6/30/2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|---|---------------------|--|---|
| <u>Investments</u> | | | |
| U.S. agencies..... | \$ 514,105 | \$ 514,105 | \$ — |
| Collateralized mortgage-backed obligations..... | 88,274 | — | 88,274 |
| Repurchase agreements..... | 8,150 | 8,150 | — |
| Corporate bonds..... | 464,693 | — | 464,693 |
| Financial paper..... | 101,388 | — | 101,388 |
| Total Investments at Fair Value..... | \$ 1,176,610 | \$ 522,255 | \$ 654,355 |

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2018, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

| Investment Type and Fair Value | AAA / AA | A / A1 / A2 | BAA/BA | B/1/B/2/B/3 | Not Rated |
|---|-------------------|-------------------|-------------------|------------------|------------------|
| U.S. agencies..... | \$ 514,105 | \$ — | \$ — | \$ — | \$ — |
| Collateralized mortgage-backed obligations..... | 88,274 | — | — | — | — |
| Repurchase Agreements..... | — | — | — | 8,150 | — |
| Corporate Bonds..... | 36,433 | 138,987 | 233,519 | 45,438 | 10,316 |
| Financial Paper..... | 8,254 | 48,629 | 44,505 | — | — |
| Totals..... | \$ 647,066 | \$ 187,616 | \$ 278,024 | \$ 53,588 | \$ 10,316 |

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2018, the maturities of the investments for the Trusts that will mature were limited according to the following segmented time distribution (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|---|---------------------|----------------------------------|-------------------|-------------------|-------------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| U.S. agencies..... | \$ 514,105 | \$ 151 | \$ 247,392 | \$ 112,308 | \$ 154,254 |
| Collateralized mortgage-backed obligations..... | 88,274 | 5 | 97 | 2 | 88,170 |
| Repurchase Agreements..... | 8,150 | 8,150 | — | — | — |
| Corporate bonds..... | 464,693 | 109,047 | 253,950 | 100,471 | 1,225 |
| Financial paper..... | 101,388 | 12,153 | 63,195 | 15,155 | 10,885 |
| Totals..... | \$ 1,176,610 | \$ 129,506 | \$ 564,634 | \$ 227,936 | \$ 254,534 |

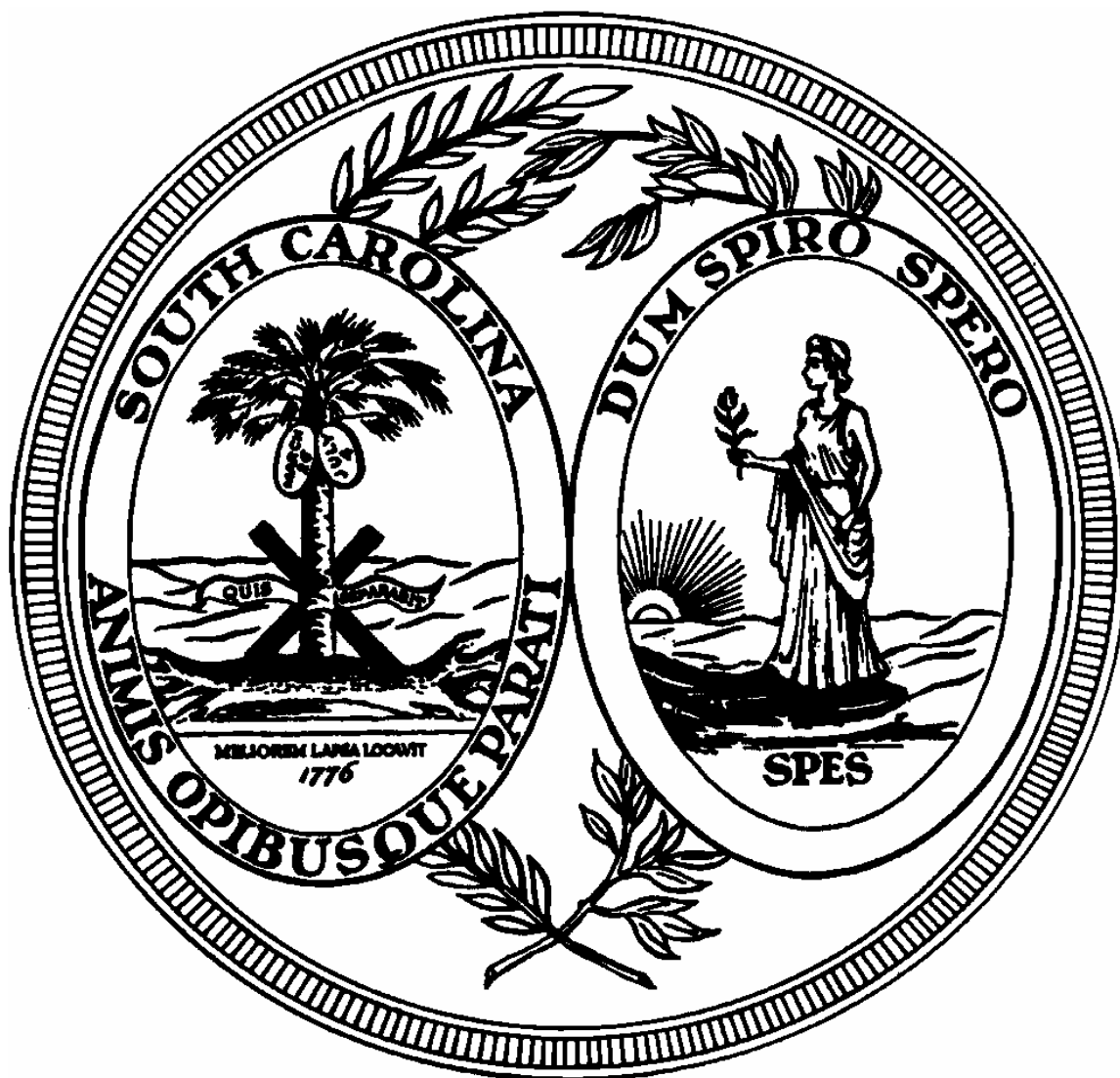
Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2018, the Trusts did not have any single issuers of debt that were not fully collateralized by U.S. Government obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The Trusts have no securities lending losses as of June 30, 2018. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

| | Amount |
|---|-----------------|
| Securities lent for cash collateral: | |
| U.S. Government Securities..... | \$ 6,155 |
| Repurchase agreements..... | 1,959 |
| Total securities lent for cash collateral..... | \$ 8,114 |
| Cash collateral invested as follows: | |
| U.S. Government Securities..... | \$ 7,181 |
| Repurchase agreements..... | 1,107 |
| Total for cash collateral invested..... | \$ 8,288 |



NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for governmental activities uncollectible receivables (expressed in thousands) at June 30, 2018, for the primary government were as follows:

| Allowances related to | Governmental Activities | | | | | |
|---|-------------------------|-------------------------------|--|-----------------------------|------------------------|-------------------------------|
| | Governmental Funds | | | | | Total Governmental Activities |
| | General | Departmental Program Services | Department of Transportation Special Revenue | Nonmajor Governmental Funds | Internal Service Funds | |
| Income taxes..... | \$ 466,332 | \$ — | \$ — | \$ — | \$ — | \$ 466,332 |
| Sales and other taxes..... | 235,263 | — | — | 31,879 | — | 267,142 |
| Patient accounts..... | 2,904 | — | — | — | — | 2,904 |
| Other..... | 11,328 | 10,105 | 421 | — | 29 | 21,883 |
| Total allowances for uncollectibles..... | \$ 715,827 | \$ 10,105 | \$ 421 | \$ 31,879 | \$ 29 | \$ 758,261 |

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Allowances for business-type activities uncollectible receivables (expressed in thousands) at June 30, 2018 were as follows:

| Allowances related to | Business-type Activities (Enterprise Funds) Unemployment Compensation Benefits |
|---|--|
| | |
| Assessments..... | \$ 34,054 |
| Other..... | 8,085 |
| Total allowances for uncollectibles..... | \$ 42,139 |

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2018, were as follows:

| Net Long-term Receivables | Governmental Activities | | | | | | |
|--|-------------------------|-------------------------------|---------------------------------|--|-----------------------------|------------------------|-------------------------------|
| | Governmental Funds | | | | | | Total Governmental Activities |
| | General | Departmental Program Services | Local Government Infrastructure | Department of Transportation Special Revenue | Nonmajor Governmental Funds | Internal Service Funds | |
| Accounts..... | \$ 20,441 | \$ 60,469 | \$ — | \$ — | \$ — | \$ 321 | \$ 81,231 |
| Sales and other taxes..... | 1,037 | — | — | — | — | — | 1,037 |
| Patient accounts..... | 2,563 | 1,711 | — | — | — | — | 4,274 |
| Loans and notes..... | 35,784 | 429 | 630,752 | 610 | — | — | 667,575 |
| Accounts receivable—restricted..... | — | — | 95,301 | — | — | — | 95,301 |
| Total long-term receivables, net..... | \$ 59,825 | \$ 62,609 | \$ 726,053 | \$ 610 | \$ — | \$ 321 | \$ 849,418 |

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Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unearned revenue in the governmental funds (expressed in thousands) at June 30, 2018, were as follows:

| | Unavailable | Unearned | Total Governmental Funds |
|--|--------------------|-------------------|---|
| Taxes | \$ 3,779 | \$ — | \$ 3,779 |
| Federal grants | 62,052 | 111,385 | 173,437 |
| Contributions | 60,737 | 208,385 | 269,122 |
| Departmental services | — | 43,044 | 43,044 |
| Total unearned revenues | \$ 126,568 | 362,814 | \$ 489,382 |
| Internal service funds | | 164,758 | |
| Total governmental activities | | \$ 527,572 | |

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2018, for the primary government was as follows:

| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
|---|--|----------------------------|----------------------------|--|
| Governmental activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 2,049,407 | \$ 62,463 | \$ (2,979) | \$ 2,108,891 |
| Construction in progress..... | 2,805,901 | 932,937 | (418,583) | 3,320,255 |
| Works of art and historical treasures..... | 7,276 | 1,336 | — | 8,612 |
| Intangibles..... | 12 | — | — | 12 |
| <i>Total capital assets not being depreciated...</i> | <u>4,862,596</u> | <u>996,736</u> | <u>(421,562)</u> | <u>5,437,770</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements..... | 113,949 | 856 | — | 114,805 |
| Infrastructure (road and bridge network)..... | 14,273,827 | 266,860 | (11,974) | 14,528,713 |
| Buildings and improvements..... | 2,161,478 | 99,003 | (11,865) | 2,248,616 |
| Vehicles..... | 784,259 | 123,385 | (67,412) | 840,232 |
| Machinery and equipment..... | 612,698 | 53,087 | (30,204) | 635,581 |
| Works of art and historical treasures..... | 1,508 | — | — | 1,508 |
| Intangibles..... | 137,837 | 31,151 | (254) | 168,734 |
| <i>Total capital assets being depreciated.....</i> | <u>18,085,556</u> | <u>574,342</u> | <u>(121,709)</u> | <u>18,538,189</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land improvements..... | (62,007) | (2,731) | — | (64,738) |
| Infrastructure (road and bridge network)..... | (3,863,469) | (205,772) | 7,032 | (4,062,209) |
| Buildings and improvements..... | (1,103,779) | (58,691) | 6,361 | (1,156,109) |
| Vehicles..... | (607,027) | (70,697) | 65,934 | (611,790) |
| Machinery and equipment..... | (443,731) | (29,392) | 22,011 | (451,112) |
| Works of art and historical treasures..... | (541) | (60) | — | (601) |
| Intangibles..... | (106,145) | (2,334) | 112 | (108,367) |
| <i>Total accumulated depreciation.....</i> | <u>(6,186,699)</u> | <u>(369,677)</u> | <u>101,450</u> | <u>(6,454,926)</u> |
| <i>Total capital assets being depreciated, net.....</i> | <u>11,898,857</u> | <u>204,665</u> | <u>(20,259)</u> | <u>12,083,263</u> |
| Capital assets for governmental activities, net..... | <u>\$ 16,761,453</u> | <u>\$ 1,201,401</u> | <u>\$ (441,821)</u> | <u>\$ 17,521,033</u> |

During the fiscal year ended June 30, 2018, depreciation expense was charged to functions of the primary government (expressed in thousands):

| | Governmental Funds | Internal Service Funds | Total Governmental Activities |
|---|-------------------------------|---------------------------------------|--|
| General government..... | \$ 2,316 | \$ 17,514 | \$ 19,830 |
| Education..... | 35,645 | — | 35,645 |
| Health and environment..... | 12,338 | — | 12,338 |
| Social services..... | 757 | — | 757 |
| Administration of justice..... | 27,237 | 282 | 27,519 |
| Resources and economic development..... | 30,530 | — | 30,530 |
| Transportation..... | 243,058 | — | 243,058 |
| Total depreciation expense, governmental activities..... | <u>\$ 351,881</u> | <u>\$ 17,796</u> | <u>\$ 369,677</u> |

| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
|--|---------------------------------------|-------------------------|--------------------------|-------------------------------------|
| Business-type activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 171,101 | \$ 7,108 | \$ (1,323) | \$ 176,886 |
| Construction in progress..... | 62,658 | 27,774 | (1,962) | 88,470 |
| <i>Total capital assets not being depreciated.....</i> | <u>233,759</u> | <u>34,882</u> | <u>(3,285)</u> | <u>265,356</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements..... | 1,244 | — | — | 1,244 |
| Buildings and improvements..... | 22,228 | 603 | (6,243) | 16,588 |
| Vehicles..... | 1,370 | — | (80) | 1,290 |
| Machinery and equipment..... | 8,957 | 143 | (772) | 8,328 |
| Intangibles..... | 1,265 | 9 | — | 1,274 |
| <i>Total capital assets being depreciated.....</i> | <u>35,064</u> | <u>755</u> | <u>(7,095)</u> | <u>28,724</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land improvements..... | (1,065) | (15) | — | (1,080) |
| Buildings and improvements..... | (5,906) | (588) | 821 | (5,673) |
| Vehicles..... | (744) | (151) | 80 | (815) |
| Machinery and equipment..... | (4,663) | (570) | 290 | (4,943) |
| Intangibles..... | (230) | (127) | — | (357) |
| <i>Total accumulated depreciation.....</i> | <u>(12,608)</u> | <u>(1,451)</u> | <u>1,191</u> | <u>(12,868)</u> |
| <i>Total capital assets being depreciated, net.....</i> | <u>22,456</u> | <u>(696)</u> | <u>(5,904)</u> | <u>15,856</u> |
| Capital assets for business-type activities, net..... | <u>\$ 256,215</u> | <u>\$ 34,186</u> | <u>\$ (9,189)</u> | <u>\$ 281,212</u> |

Capital assets for the State's fiduciary funds were comprised of land totaling \$582 thousand, a building totaling \$4.749 million and equipment totaling \$2.111 million with accumulated depreciation of \$5.080 million. Depreciation expense for fiscal year 2018 was \$216 thousand. There were additions of \$41 thousand for equipment during the year.

At June 30, 2018, the primary government had outstanding construction commitments totaling \$42.945 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled \$20.421 million for significant permanent improvement projects. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling \$157.910 million at June 30, 2018, related to information technology projects.

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. The South Carolina Public Employee Benefit Authority (PEBA) was created effective July 1, 2012 and administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the South Carolina Retirement System Investment Commission, which consists of eight members appointed by mostly elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The Systems' financial statements may be obtained by writing to:

Retirement Systems Finance
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, South Carolina 29223
<http://www.peba.sc.gov>

The **South Carolina Retirement System (SCRS)**, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

The **South Carolina Police Officers Retirement System (PORS)**, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

The **Retirement System for Members of the General Assembly of the State of South Carolina (GARS)**, a single-employer defined benefit pension plan, was created effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012. Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, persons elected to the General Assembly in November 2012 or after must elect membership in SCRS, the State Optional Retirement Program (State ORP), or may elect non-membership. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

Earnable compensation is comprised of \$10,400 annually plus 40 times the daily rate of remuneration (i.e. \$22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).

The **Retirement System for Judges and Solicitors of the State of South Carolina (JSRS)**, a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the State. All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

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Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age. Members who have accrued a retirement allowance that is 90% of salary may elect to “retire in place” and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60. The mandatory retirement age is 72.

A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of the current active salary). The normal form of payment for a married member is a 33.3% joint and survivor annuity. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

The **South Carolina National Guard Supplemental Retirement Plan (SCNG)**, a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard. National Guard members are considered to be federal government employees. The federal government pays Guard members’ drill pay and summer camp pay. In accordance with State law, the State’s General Fund pays Guard members’ salaries only if the Governor activates the National Guard for service to the State. A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG retirees.

The pension benefit that the State provides is intended only to supplement the retirement benefit that Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of South Carolina National Guard duty, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to \$50 per month for twenty years of creditable service with an additional \$5 per month for each additional year of service, provided that the total pension shall not exceed \$100 per month.

Each plan is independent. Assets of each plan may be used only to benefit participants of that plan. PEBA does not have the authority to establish or amend the benefit terms of SCRS, PORs, GARS, JSRS, and SCNG without a legislative change in the code of laws. Additionally, the plans provide retirement, death, and disability benefits to State employees; public school employees; and employees of counties, municipalities, and certain other State political subdivisions.

A summary of information related to members of the five plans is as follows at June 30, 2018:

| | SCRS | PORS | GARS | JSRS | SCNG |
|--|---------|--------|------|------|--------|
| Active Contributing Members..... | 193,985 | 27,056 | 87 | 160 | 12,116 |
| Retirees and Beneficiaries Currently Receiving Benefits..... | 140,288 | 17,887 | 354 | 213 | 4,789 |
| Terminated Members Entitled to But Not Yet Receiving Benefits..... | 176,045 | 16,004 | 35 | 3 | 1,901 |
| Total Membership..... | 510,318 | 60,947 | 476 | 376 | 18,806 |

b. Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments

The financial statements of the previously-described plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Retirement benefits and refunded expenses are recognized when due and payable in accordance with the terms of each plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement Systems (PORS), the Retirement System for Members of the General Assembly of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG) and additions to/deductions from SCRS’, PORS’, GARS’, JSRS’, and SCNG’s fiduciary net position have been determined on the same basis as they are reported by SCRS, PORS, GARS, JSRS, and SCNG. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1f specifies the method used to value pension trust fund investments.

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

By law, employee contribution requirements for the fiscal year ended June 30, 2018, were as follows:

| Plan | Rate |
|------|---------------------------------|
| SCRS | 9.00% of earnable compensation |
| PORS | 9.75% of earnable compensation |
| GARS | 11.00% of earnable compensation |
| JSRS | 10.00% of earnable compensation |
| SCNG | Non-contributory by employees |

Actuarially-determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2018, were as follows:

| Plan | Rate |
|------|--------|
| SCRS | 13.56% |
| PORS | 16.24% |
| JSRS | 49.42% |

Contributions to SCRS, PORS, and JSRS from the State were \$168.903 million, \$61.790 million, and \$11.043 million, respectively, for the year ended June 30, 2018. The GARS employer contribution of \$5.428 million was actuarially determined and included incidental death benefits. The State contributed \$4.814 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2018. Additionally, the State contributed \$104.974 million to SCRS and \$13.122 million to PORS above its proportionate employer contributions. These may qualify as special funding situations for SCRS and PORS in future years if these additional contributions become a consistent part of the State's annual budget.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the State reported \$2.938 billion and \$793.572 million for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the State's SCRS proportion was 13.05%, which was an increase of 0.11% from its proportion measured as of June 30, 2016. The State's PORS proportion of the net pension liability at June 30, 2017 was 28.97%, which was an increase of 0.09% from its proportion measured as of June 30, 2016.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2016, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2018, the State recognized pension expenses of \$313.677 million for SCRS, \$91.725 million for PORS, \$15.144 million for JSRS, \$4.949 million for GARS, and \$4.015 million for SCNG.

According to South Carolina Code of Laws 9-1-1180, the State is responsible for contributing the employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRS and PORS, but remitted instead to each school district and technical college for their contribution payments, GASB 68 requires that the school districts and technical colleges recognize the portions of the SCRS and PORS net pension liabilities that relate to their respective employees. As the State is actually responsible for these net pension liabilities, the State's effective share of the SCRS net pension liability was approximately \$13.010 billion (or 57.79% of the total net SCRS pension liability) at June 30, 2018, with related pension expenses of approximately \$1.271 billion for the year ended June 30, 2018. Likewise, the State's

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effective share of the PORS net pension liability was approximately \$809.946 million at June 30, 2018 (or 29.56% of the total net PORS pension liability), with related pension expenses of approximately \$93.822 million for the year ended June 30, 2018. As prescribed by GASB 68, the teachers and technical college employee-related net pension liabilities and corresponding pension expenses are not included in the State's net pension liability or in the State's pension expense.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

| | SCRS | PORS | JSRS | GARS | SCNG | Total |
|--|-------------------|-------------------|------------------|-----------------|-----------------|-------------------|
| Deferred Outflows of Resources | | | | | | |
| State Contributions Subsequent to the Measurement Date..... | \$ 168,903 | \$ 61,790 | \$ 11,043 | \$ 5,428 | \$ 4,814 | \$ 251,978 |
| Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions..... | 113,229 | 11,686 | — | — | — | 124,915 |
| Net Differences Between Projected and Actual Earnings on Pension Plan Investments..... | 82,021 | 28,278 | 3,619 | 1,014 | 791 | 115,723 |
| Differences Between Expected and Actual Experience..... | 13,099 | 7,076 | — | — | 442 | 20,617 |
| Changes in Assumptions..... | 172,002 | 75,317 | 10,753 | 829 | 3,779 | 262,680 |
| Total..... | \$ 549,254 | \$ 184,147 | \$ 25,415 | \$ 7,271 | \$ 9,826 | \$ 775,913 |
| Deferred Inflows of Resources | | | | | | |
| Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions..... | \$ 83,959 | \$ 26,819 | \$ — | \$ — | \$ — | \$ 110,778 |
| Differences Between Expected and Actual Experience..... | 1,629 | — | 3,322 | 124 | 1,740 | 6,815 |
| Total..... | \$ 85,588 | \$ 26,819 | \$ 3,322 | \$ 124 | \$ 1,740 | \$ 117,593 |

\$251.978 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2019. Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions (expressed in thousands) will be recognized in pension expense as follows:

| Year Ended June 30, | SCRS | PORS | JSRS | GARS | SCNG |
|---------------------|-------------------|------------------|------------------|-----------------|-----------------|
| 2019 | \$ 89,209 | \$ 28,041 | \$ 2,369 | \$ 951 | \$ 475 |
| 2020 | 137,997 | 38,981 | 4,881 | 695 | 743 |
| 2021 | 92,761 | 26,615 | 3,482 | 299 | 464 |
| 2022 | (25,204) | 1,901 | 318 | (226) | 90 |
| 2023 | — | — | — | — | 245 |
| Thereafter | — | — | — | — | 1,255 |
| | \$ 294,763 | \$ 95,538 | \$ 11,050 | \$ 1,719 | \$ 3,272 |

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The total pension liabilities in the July 1, 2016 actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

| | SCRS | PORS | GARS | JSRS | SCNG |
|----------------------------|-----------------------------------|----------------------------------|-----------|-----------|-----------|
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Actuarial Assumptions: | | | | | |
| Investment Rate of Return | 7.25% | 7.25% | 7.25% | 7.25% | 7.25% |
| Projected Salary Increases | 3.0% to 12.5% (Varies by Service) | 3.5% to 9.5% (Varies by Service) | None | 2.75% | None |
| Inflation Rate | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |
| Benefit Adjustments | Lesser of 1% or \$500 | Lesser of 1% or \$500 | None | 2.75% | None |

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017 valuations for SCRS and PORS are as follows:

| Former Job Class | Males | Females |
|--|------------------------------------|--------------------------------------|
| Educators and Judges | 2016 PRSC Males multiplied by 92% | 2016 PRSC Females multiplied by 98% |
| General Employees and Members of the General Assembly | 2016 PRSC Males multiplied by 100% | 2016 PRSC Females multiplied by 111% |
| Public Safety, Firefighters and Members of the South Carolina National Guard | 2016 PRSC Males multiplied by 125% | 2016 PRSC Females multiplied by 111% |

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|---|--------------------------------|--|---|
| Global Equity | 45.0% | | |
| Global Public Equity | 31.0% | 6.72% | 2.08% |
| Private Equity | 9.0% | 9.60% | 0.86% |
| Equity Options Strategies | 5.0% | 5.91% | 0.30% |
| Real Assets | 8.0% | | |
| Real Estate (Private) | 5.0% | 4.32% | 0.22% |
| Real Estate (REITs) | 2.0% | 6.33% | 0.13% |
| Commodities | 1.0% | 6.26% | 0.06% |
| Opportunistic | 17.0% | | |
| GTAA/Risk Parity | 10.0% | 4.16% | 0.42% |
| Hedge Funds (non-PA) | 4.0% | 3.82% | 0.15% |
| Other Opportunistic Strategies | 3.0% | 4.16% | 0.12% |
| Diversified Credit | 18.0% | | |
| Mixed Credit | 6.0% | 3.92% | 0.23% |
| Emerging Markets Debt | 5.0% | 5.01% | 0.25% |
| Private Debt | 7.0% | 4.37% | 0.31% |
| Conservative Fixed Income | 12.0% | | |
| Core Fixed Income | 10.0% | 1.60% | 0.16% |
| Cash and Short Duration (Net) | 2.0% | 0.92% | 0.02% |
| Total Expected Real Return | 100.0% | | 5.31% |
| Inflation for Actuarial Purposes | | | 2.25% |
| Total Expected Nominal Return | | | 7.56% |

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS and PORS participating employers will be made at contractually required rates, actuarially determined (for SCRS and PORS participation amounts see the final paragraph on page 107). Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (expressed in thousands)

| | <u>GARS</u> | <u>JSRS</u> | <u>SCNG</u> |
|---|-------------------------|--------------------------|-------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 488 | \$ 6,186 | \$ 696 |
| Interest | 5,293 | 20,404 | 4,589 |
| Difference Between Actual and Expected Experience | (348) | (995) | (843) |
| Assumption Changes | 2,330 | 13,790 | 4,161 |
| Benefit Payments | <u>(6,737)</u> | <u>(18,602)</u> | <u>(4,426)</u> |
| Net Change in Total Pension Liability | 1,026 | 20,783 | 4,177 |
| Total Pension Liability at June 30, 2017 | <u>73,702</u> | <u>278,256</u> | <u>63,045</u> |
| Total Pension Liability at June 30, 2018 (a) | <u><u>\$ 74,728</u></u> | <u><u>\$ 299,039</u></u> | <u><u>\$ 67,222</u></u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 4,539 | \$ 10,534 | \$ 4,591 |
| Contributions - Member | 468 | 2,928 | — |
| Refunds of Contributions to Members | — | (629) | — |
| Retirement Benefits | (6,678) | (17,679) | (4,425) |
| Death Benefits | (59) | (293) | — |
| Net Investment Income (Loss) | 3,329 | 16,399 | 2,533 |
| Administrative Expense | (17) | (79) | (13) |
| Other | <u>19</u> | <u>253</u> | <u>—</u> |
| Net Change in Plan Fiduciary Net Position | 1,601 | 11,434 | 2,686 |
| Plan Fiduciary Net Position at June 30, 2017 | <u>30,188</u> | <u>140,717</u> | <u>23,350</u> |
| Plan Fiduciary Net Position at June 30, 2018 (b) | <u><u>\$ 31,789</u></u> | <u><u>\$ 152,151</u></u> | <u><u>\$ 26,036</u></u> |
| Net Pension Liability at June 30, 2018 (a) - (b) | <u><u>\$ 42,939</u></u> | <u><u>\$ 146,888</u></u> | <u><u>\$ 41,186</u></u> |

The following table presents the State's proportionate share of the SCRS and PORS net pension liabilities and the GARS, JSRS, and SCNG net pension liabilities calculated using the discount rate of 7.25%, as well as what the State's respective net pension liabilities (expressed in thousands) would be if it were calculated using a discount rate of 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

| Plan | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------|----------------------------|--------------------------------------|----------------------------|
| SCRS | \$ 3,786,949 | \$ 2,938,212 | \$ 2,423,225 |
| PORS | 1,071,473 | 793,572 | 574,673 |
| GARS | 49,589 | 42,939 | 37,535 |
| JSRS | 180,690 | 146,888 | 120,045 |
| SCNG | 50,043 | 41,186 | 34,443 |

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e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the plans administered by the South Carolina Retirement Systems were as follows:

| | SCRS | PORS | GARS | JSRS | SCNG | Totals |
|--|----------------------|---------------------|------------------|-------------------|------------------|----------------------|
| Receivables: | | | | | | |
| Contributions..... | \$ 303,213 | \$ 32,357 | \$ 32 | \$ 810 | \$ — | \$ 336,412 |
| Accrued interest..... | 39,429 | 6,763 | 49 | 236 | 42 | 46,519 |
| Unsettled investment sales..... | 520,220 | 89,148 | 592 | 3,081 | 502 | 613,543 |
| Other investment receivables..... | 986 | 169 | 1 | 6 | 1 | 1,163 |
| Total receivables..... | \$ 863,848 | \$ 128,437 | \$ 674 | \$ 4,133 | \$ 545 | \$ 997,637 |
| Due from other funds..... | \$ — | \$ 278 | \$ — | \$ — | \$ — | \$ 278 |
| Investments and invested securities lending collateral: | | | | | | |
| Short-term securities..... | \$ 497,097 | \$ 85,186 | \$ 566 | \$ 2,944 | \$ 479 | \$ 586,272 |
| Fixed income..... | 4,482,965 | 768,228 | 5,104 | 26,549 | 4,322 | 5,287,168 |
| Equity-international..... | 11,761,071 | 2,015,451 | 13,391 | 69,650 | 11,338 | 13,870,901 |
| Alternatives..... | 8,054,600 | 1,380,287 | 9,170 | 47,700 | 7,765 | 9,499,522 |
| Invested securities lending collateral..... | 29,348 | 5,029 | 33 | 174 | 28 | 34,612 |
| Total investments..... | \$ 24,825,081 | \$ 4,254,181 | \$ 28,264 | \$ 147,017 | \$ 23,932 | \$ 29,278,475 |

f. Deferred Retirement Option Plans

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. The TERI program was closed effective June 30, 2018. Any member entering the TERI program after July 1, 2015 was only be able to participate in the program until June 30, 2018.

A total of 4,808 members were participating in the TERI program at June 30, 2018. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2018, was as follows:

| | |
|---|-------------------|
| Beginning balance of TERI trust accounts..... | \$ 643,050 |
| Additions | 160,209 |
| TERI distributions at termination..... | (425,996) |
| Ending balance of TERI trust accounts..... | \$ 377,263 |

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2018, there was \$332 thousand held in this trust.

g. Optional Retirement Program

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program. Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

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Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (9.00%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (8.41%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

| | |
|--|--------------|
| Covered payroll..... | \$ 1,506,014 |
| Employee contributions to providers..... | 135,541 |
| Employer contributions to providers..... | 75,301 |

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits through the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), collectively referred to as the OPEB plans, to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority (PEBA). Article 5 of the State Code of Laws defines the two plans and authorizes PEBA to at any time adjust the plans, including its benefits and contributions, as necessary to ensure the fiscal stability of the plans. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the Executive Budget, 5.50% of annual covered payroll for fiscal year 2018. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid \$460.478 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2018. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2018.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. SCRHITF is funded primarily through the payroll surcharge. Other sources of funding include additional State appropriated dollars (\$2.375 million), accumulated PEBA-Insurance Benefits cash reserves (\$104.573 million). LTDITF is funded primarily through investment income and employer contributions.

c. OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the State reported a liability of \$2.837 billion for its proportionate share of the net SCRHITF OPEB liability and reported a liability of \$394 thousand for its proportionate share of the net LTDITF OPEB liability. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of that June 30, 2016. At June 30, 2016, the State's proportion of the SCRHITF net OPEB liability was 20.95% and the State's proportion of the LTDITF net OPEB liability was 21.71%, based on its statutory contribution requirements.

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As with SCRS and PORS, the State is responsible for contributing the OPEB employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRHITF and LTDITF, but remitted instead to each school district and technical college for their contribution payments, GASB 75 requires that the school districts and technical colleges recognize the portions of the SCRHITF and LTDITF net OPEB liabilities that relate to their respective employees. As the State is actually responsible for these net OPEB liabilities, the State's effective share of the SCRHITF net OPEB liability was approximately \$10.424 billion (or 76.96% of the total net SCRHITF pension liability) at June 30, 2018, with related OPEB expenses of approximately \$634.419 million for the year ended June 30, 2018. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately \$1.261 million at June 30, 2018 (or 69.56% of the total net LTDITF OPEB liability), with related pension expenses of approximately \$5.630 million for the year ended June 30, 2018. As prescribed by GASB 75, the teachers and technical college employee-related net OPEB liabilities and corresponding OPEB expenses are not included in the State's net OPEB liability or in the State's OPEB expense.

As a result of its requirement to contribute to the SCRHITF and LTDITF, the State recognized expenses of \$172.687 million for SCRHITF and \$1.757 million for LTDITF for the year ended June 30, 2018. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to SCRHITF and LTDITF (expressed in thousands):

| | SCRHITF | LTDITF | Total |
|--|-------------------|-----------------|-------------------|
| Deferred Outflows of Resources | | | |
| State Contributions Subsequent to the Measurement Date..... | \$ 98,824 | \$ 1,578 | \$ 100,402 |
| Net Differences Between Projected and Actual Earnings on Pension Plan Investments..... | 4,875 | 190 | 5,065 |
| Total..... | \$ 103,699 | \$ 1,768 | \$ 105,467 |
| Deferred Inflows of Resources | | | |
| Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions..... | \$ 41 | \$ 10 | \$ 51 |
| Differences Between Expected and Actual Experience..... | 1,231 | — | 1,231 |
| Changes in Assumptions..... | 266,974 | 36 | 267,010 |
| Total..... | \$ 268,246 | \$ 46 | \$ 268,292 |

\$100.402 million reported as deferred outflows resulting from State contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liabilities in the year ended June 30, 2019. Other amounts reported as deferred

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(inflows)/outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to SCRHITF and LTDITF will be recognized as expense as follows (expressed in thousands):

| <u>Year Ended June 30,</u> | <u>SCRHITF</u> | <u>LTDITF</u> |
|----------------------------|---------------------|---------------|
| 2019 | \$ (41,728) | \$ 43 |
| 2020 | (41,728) | 42 |
| 2021 | (41,728) | 42 |
| 2022 | (41,728) | 42 |
| 2023 | (42,947) | (5) |
| Thereafter | (53,512) | (20) |
| | <u>\$ (263,371)</u> | <u>\$ 144</u> |

The total OPEB liabilities in the June 30, 2016 valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | SCRHITF | LTDITF |
|-----------------------------|---|--|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Actuarial Assumptions: | | |
| Inflation Rate | 2.25% | 2.25% |
| Investment Rate of Return | 4.00%, net of OPEB plan expense, including inflation | 4.00%, net of OPEB plan expense, including inflation |
| Healthcare Cost Trend Rates | Initial trend starting at 7.00% and gradually decreasing to an ultimate rate of 4.15% over 15 years | N/A |

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period for both OPEB plans. The last experience study was performed on data through June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both OPEB plans are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Allocation- Weighted Long- Term Expected Real Rate of Return</u> |
|-------------------------------------|--------------------------|---|---|
| U.S. Domestic Fixed Income | 80.0% | 2.09% | 1.67% |
| Cash | 20.0% | 0.84% | 0.17% |
| Total | 100.0% | | 1.84% |
| Expected Inflation | | | 2.25% |
| Total Return | | | 4.09% |
| Investment Return Assumption | | | 4.00% |

The single discount rate used to measure the total SCRHITF liability is 3.56% (updated from 2.92% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond

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rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan’s investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

The single discount rate used to measure the total LTDITFF liability is 3.87% (updated from 3.74% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”) and the resulting Single Discount Rate is 3.87%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan’s Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

The following table presents the State’s proportionate share of the SCRHITF and LTDITF net OPEB liabilities, as well as what the State’s proportionate share of the net OPEB liabilities would be if it were calculated using a discount rate of 1.00% lower (2.56% for SCRHITF and 2.87% for LTDITF) or 1.00% higher (4.56% for SCRHITF and 4.87% for LTDITF) than the current discount rates:

| Plan | 1% Decrease (2.56%) | Current Discount Rate (3.56%) | 1% Increase (4.56%) |
|-------------|------------------------------------|--|------------------------------------|
| SCRHITF | \$ 3,341,506 | \$ 2,837,273 | \$ 2,430,738 |

| Plan | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|-------------|------------------------------------|--|------------------------------------|
| LTDITF | \$ 700 | \$ 394 | \$ 93 |

In addition, the following table presents SCRHITF’s net OPEB liability, calculated using the assumed healthcare cost trend rates as well as what the plan’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower (6.00%) and one percent higher (8.00%):

| Plan | 1% Decrease (6.00%) | Current Healthcare Cost Trend Rate (7.00%) | 1% Increase (8.00%) |
|-------------|------------------------------------|---|------------------------------------|
| SCRHITF | \$ 2,326,682 | \$ 2,837,273 | \$ 3,498,367 |

Complete financial statements for the OPEB plans and the trust funds may be obtained by writing to:

Insurance Benefits Division
 South Carolina Public Employee Benefit Authority
 202 Arbor Lake Drive
 Columbia, SC 29223
<http://www.peba.sc.gov>

d. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the OPEB plans administered by the Insurance Benefits Division were as follows:

| | <u>SCRHI</u> | <u>LTDI</u> | <u>Totals</u> |
|--|---------------------------|-------------------------|---------------------------|
| Receivables: | | | |
| Accrued interest..... | <u>\$ 7,195</u> | <u>\$ 298</u> | <u>\$ 7,493</u> |
| Due from other funds..... | <u>\$ 67,069</u> | <u>\$ —</u> | <u>\$ 67,069</u> |
| Investments and invested securities lending collateral: | | | |
| Debt domestic instruments..... | \$ 1,036,786 | \$ 30,286 | \$ 1,067,072 |
| Financial paper..... | 96,224 | 5,164 | 101,388 |
| Invested securities lending collateral..... | 7,386 | 728 | 8,114 |
| Total investments..... | <u>\$1,140,396</u> | <u>\$ 36,178</u> | <u>\$1,176,574</u> |

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Details of all deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

| | Governmental Activities less Internal Service | Internal Service | Total Governmental Activities | Business-Type Activities | Totals | Component Units |
|--|---|---------------------|-------------------------------------|-----------------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | | | | |
| Accumulated increase in fair value of hedging derivatives..... | \$ 14,736 | \$ — | \$ 14,736 | \$ — | \$ 14,736 | \$ 39,916 |
| Deferred amount on refunding..... | 96,890 | — | 96,890 | — | 96,890 | 227,307 |
| Pensions: | | | | | | |
| State contributions subsequent to the measurement date..... | 246,506 | 4,802 | 251,308 | 670 | 251,978 | 262,361 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 117,821 | 5,581 | 123,402 | 1,513 | 124,915 | 81,779 |
| Net Differences between projected and actual earnings on pension plan investments..... | 113,008 | 2,256 | 115,264 | 459 | 115,723 | 128,618 |
| Differences between expected and actual experience..... | 20,144 | 396 | 20,540 | 77 | 20,617 | 22,546 |
| Changes in assumptions..... | 256,737 | 4,957 | 261,694 | 986 | 262,680 | 271,734 |
| OPEB: | | | | | | |
| State contributions subsequent to the measurement date..... | 98,670 | 1,607 | 100,277 | 125 | 100,402 | 126,540 |
| Net Differences between projected and actual earnings on OPEB plan investments..... | 4,977 | 82 | 5,059 | 6 | 5,065 | 6,320 |
| Differences between expected and actual experience..... | — | — | — | — | — | 95 |
| Changes in assumptions..... | — | — | — | — | — | 168 |
| Total..... | \$ 969,489 | \$ 19,681 | \$ 989,170 | \$ 3,836 | \$ 993,006 | \$ 1,167,384 |
| Deferred Inflows of Resources | | | | | | |
| Accumulated increase in fair value of hedging derivatives..... | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 5,374 |
| Deferred gain on refunding..... | — | — | — | — | — | 3,246 |
| Deferred nuclear decommissioning costs..... | — | — | — | — | — | 226,767 |
| Deferred service concession arrangement receipts..... | — | — | — | — | — | 2,376 |
| Deferred nonexchange revenues..... | 15,233 | — | 15,233 | — | 15,233 | 39,391 |
| Toshiba Settlement..... | — | — | — | — | — | 898,215 |
| Pensions: | | | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 108,845 | 1,770 | 110,615 | 163 | 110,778 | 48,864 |
| Differences between expected and actual experience..... | 6,770 | 37 | 6,807 | 8 | 6,815 | 3,886 |
| Changes in Assumptions..... | — | — | — | — | — | 19 |
| OPEB: | | | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 51 | — | 51 | — | 51 | 57 |
| Differences between expected and actual experience..... | 1,210 | 20 | 1,230 | 1 | 1,231 | 1,642 |
| Changes in assumptions..... | 262,298 | 4,375 | 266,673 | 337 | 267,010 | 344,366 |
| Total..... | \$ 394,407 | \$ 6,202 | \$ 400,609 | \$ 509 | \$ 401,118 | \$ 1,574,203 |

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Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

| | <u>Patient's Compensation</u> | <u>Canteen</u> | <u>Palmetto Railways</u> | <u>Other Enterprise</u> | <u>Total</u> |
|--|-----------------------------------|----------------|------------------------------|-----------------------------|-----------------|
| Deferred Outflows of Resources | | | | | |
| Pensions: | | | | | |
| State contributions subsequent to the measurement date..... | \$ 34 | \$ 233 | \$ 335 | \$ 68 | \$ 670 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 4 | 122 | 1,351 | 36 | 1,513 |
| Net Differences between projected and actual earnings on pension plan investments..... | 17 | 112 | 297 | 33 | 459 |
| Differences between expected and actual experience..... | 3 | 20 | 48 | 6 | 77 |
| Changes in assumptions..... | 35 | 251 | 626 | 74 | 986 |
| OPEB: | | | | | |
| State contributions subsequent to the measurement date..... | 14 | 86 | — | 25 | 125 |
| Net Differences between projected and actual earnings on OPEB plan investments..... | 1 | 4 | — | 1 | 6 |
| Total..... | \$ 108 | \$ 828 | \$ 2,657 | \$ 243 | \$ 3,836 |
| Deferred Inflows of Resources | | | | | |
| Pensions: | | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | \$ 15 | \$ 113 | \$ 1 | \$ 34 | \$ 163 |
| Differences between expected and actual experience..... | — | 2 | 6 | — | 8 |
| OPEB: | | | | | |
| Differences between expected and actual experience..... | — | 1 | — | — | 1 |
| Changes in assumptions..... | 41 | 229 | — | 67 | 337 |
| Total..... | \$ 56 | \$ 345 | \$ 7 | \$ 101 | \$ 509 |

State of South Carolina

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services |
|--|------------------------------|--|-----------------------|-----------------------------|
| Deferred Outflows of Resources | | | | |
| Pensions: | | | | |
| State contributions subsequent to the measurement date..... | \$ 400 | \$ 879 | \$ 304 | \$ 1,752 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 3,020 | 861 | 16 | 917 |
| Net Differences between projected and actual earnings on pension plan investments..... | 194 | 376 | 149 | 837 |
| Differences between expected and actual experience..... | 31 | 60 | 24 | 153 |
| Changes in assumptions..... | 407 | 789 | 313 | 1,877 |
| OPEB: | | | | |
| State contributions subsequent to the measurement date..... | 113 | 373 | 128 | 754 |
| Net Differences between projected and actual earnings on OPEB plan investments..... | 7 | 18 | 7 | 38 |
| Total..... | \$ 4,172 | \$ 3,356 | \$ 941 | \$ 6,328 |
| Deferred Inflows of Resources | | | | |
| Pensions: | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | \$ — | \$ — | \$ 215 | \$ 847 |
| Differences between expected and actual experience..... | 4 | 7 | 4 | 12 |
| OPEB: | | | | |
| Differences between expected and actual experience..... | 2 | 5 | 1 | 9 |
| Changes in assumptions..... | 369 | 981 | 384 | 2,003 |
| Total..... | \$ 375 | \$ 993 | \$ 604 | \$ 2,871 |

State of South Carolina

| <u>Motor Pool</u> | <u>Prison Industries</u> | <u>Other Internal Service</u> | <u>Total</u> |
|-------------------|--------------------------|-------------------------------|------------------|
| \$ 117 | \$ 1,334 | \$ 16 | \$ 4,802 |
| 61 | 698 | 8 | 5,581 |
| 56 | 637 | 7 | 2,256 |
| 10 | 117 | 1 | 396 |
| 125 | 1,429 | 17 | 4,957 |
| 51 | 181 | 7 | 1,607 |
| 3 | 9 | — | 82 |
| <u>\$ 423</u> | <u>\$ 4,405</u> | <u>\$ 56</u> | <u>\$ 19,681</u> |
| \$ 56 | \$ 644 | \$ 8 | \$ 1,770 |
| 1 | 9 | — | 37 |
| 1 | 2 | — | 20 |
| 137 | 482 | 19 | 4,375 |
| <u>\$ 195</u> | <u>\$ 1,137</u> | <u>\$ 27</u> | <u>\$ 6,202</u> |

State of South Carolina

Details of all major discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

| | Public Service Authority | Medical University of South Carolina | University of South Carolina | Clemson University | State Ports Authority |
|--|-----------------------------|--|---------------------------------|-----------------------|--------------------------|
| Deferred Outflows of Resources | | | | | |
| Accumulated increase in fair value of hedging derivatives..... | \$ 39,916 | \$ — | \$ — | \$ — | \$ — |
| Deferred amount on refunding..... | 158,625 | 37,721 | 20,770 | 5,036 | — |
| Pensions: | | | | | |
| State contributions subsequent to the measurement date..... | 8,413 | 76,410 | 57,206 | 36,849 | 6,201 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 719 | 21,899 | 16,536 | 11,475 | 6,762 |
| Net Differences between projected and actual earnings on pension plan investments..... | 8,845 | 35,054 | 26,721 | 17,294 | 2,758 |
| Differences between expected and actual experience..... | 3,191 | 5,639 | 4,355 | 2,788 | 441 |
| Changes in assumptions..... | 19,402 | 73,767 | 56,335 | 36,427 | 5,790 |
| OPEB: | | | | | |
| State contributions subsequent to the measurement date..... | — | 37,416 | 29,745 | 19,410 | 1,857 |
| Net Differences between projected and actual earnings on OPEB plan investments..... | — | 1,895 | 1,508 | 978 | 3 |
| Differences between expected and actual experience..... | — | 74 | — | — | — |
| Changes in assumptions..... | — | 168 | — | — | — |
| Total..... | \$ 239,111 | \$ 290,043 | \$ 213,176 | \$ 130,257 | \$ 23,812 |
| Deferred Inflows of Resources | | | | | |
| Accumulated increase in fair value of hedging derivatives..... | \$ 5,374 | \$ — | \$ — | \$ — | \$ — |
| Deferred gain on refunding..... | — | — | — | — | — |
| Deferred nuclear decommissioning costs..... | 226,767 | — | — | — | — |
| Deferred service concession arrangement receipts..... | — | — | — | — | — |
| Deferred nonexchange revenues..... | — | — | — | — | — |
| Toshiba Settlement..... | 898,215 | — | — | — | — |
| Pensions: | | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | 2,639 | 1,179 | 2,397 | 771 | 5 |
| Differences between expected and actual experience..... | 1,548 | 687 | 520 | 338 | 54 |
| Changes in Assumptions..... | 19 | — | — | — | — |
| OPEB: | | | | | |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions..... | — | 18 | 14 | 9 | — |
| Differences between expected and actual experience..... | — | 542 | 373 | 242 | — |
| Changes in assumptions..... | — | 101,273 | 80,798 | 52,427 | 4,718 |
| Total..... | \$ 1,134,562 | \$ 103,699 | \$ 84,102 | \$ 53,787 | \$ 4,777 |

State of South Carolina

| <u>Housing Authority</u> | <u>Lottery Commission</u> | <u>Nonmajor Component Units</u> | <u>Total</u> |
|------------------------------|-------------------------------|---|----------------------|
| \$ — 912 | \$ — — | \$ — 4,243 | \$ 39,916 227,307 |
| 907 | 808 | 75,567 | 262,361 |
| 486 | 8 | 23,894 | 81,779 |
| 446 | 435 | 37,065 | 128,618 |
| 71 | 70 | 5,991 | 22,546 |
| 934 | 912 | 78,167 | 271,734 |
| 343 | 407 | 37,362 | 126,540 |
| — | 20 | 1,916 | 6,320 |
| 20 | — | 1 | 95 |
| — | — | — | 168 |
| <u>\$ 4,119</u> | <u>\$ 2,660</u> | <u>\$ 264,206</u> | <u>\$ 1,167,384</u> |
| \$ — 3,246 | \$ — — | \$ — — | \$ 5,374 3,246 |
| — | — | — | 226,767 |
| — | — | 2,376 | 2,376 |
| 38,582 | — | 809 | 39,391 |
| — | — | — | 898,215 |
| 365 | 483 | 41,025 | 48,864 |
| 9 | 9 | 721 | 3,886 |
| — | — | — | 19 |
| — | — | 16 | 57 |
| 5 | 5 | 475 | 1,642 |
| 1,118 | 1,103 | 102,929 | 344,366 |
| <u>\$ 43,325</u> | <u>\$ 1,600</u> | <u>\$ 148,351</u> | <u>\$ 1,574,203</u> |

State of South Carolina

Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

| | <u>The Citadel</u> | <u>Coastal Carolina University</u> | <u>College of Charleston</u> | <u>Francis Marion University</u> |
|---------------------------------------|--------------------|--|----------------------------------|--|
| Deferred Outflows of Resources | | | | |
| Accumulated increase in fair | | | | |
| Deferred amount on refunding..... | \$ — | \$ 521 | \$ 741 | \$ — |
| Pensions: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 3,463 | 8,751 | 9,811 | 3,398 |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 661 | 9,964 | 901 | 7 |
| Net Differences between projected | | | | |
| and actual earnings on pension | | | | |
| plan investments..... | 2,370 | 4,521 | 4,776 | 1,648 |
| Differences between expected | | | | |
| and actual experience..... | 383 | 738 | 775 | 267 |
| Changes in assumptions..... | 4,999 | 9,585 | 10,092 | 3,477 |
| OPEB: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 2,650 | 5,156 | 5,410 | 1,730 |
| Net Differences between projected | | | | |
| and actual earnings on OPEB | | | | |
| plan investments..... | 129 | 254 | 282 | 90 |
| Differences between expected | | | | |
| and actual experience..... | — | — | — | — |
| Total..... | \$ 14,655 | \$ 39,490 | \$ 32,788 | \$ 10,617 |
| Deferred Inflows of Resources | | | | |
| Deferred service concession | | | | |
| arrangement receipts..... | \$ — | \$ 90 | \$ 2,286 | \$ — |
| Deferred nonexchange revenues..... | — | 517 | — | — |
| Pensions: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 407 | 70 | 4,281 | 1,237 |
| Differences between expected | | | | |
| and actual experience..... | 46 | 86 | 92 | 32 |
| OPEB: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 1 | 2 | 3 | 1 |
| Differences between expected | | | | |
| and actual experience..... | 32 | 62 | 69 | 22 |
| Changes in assumptions..... | 6,895 | 13,545 | 15,065 | 4,791 |
| Total..... | \$ 7,381 | \$ 14,372 | \$ 21,796 | \$ 6,083 |

State of South Carolina

| <u>Lander University</u> | <u>South Carolina State University</u> | <u>Winthrop University</u> | <u>Aiken Technical College</u> | <u>Central Carolina Technical College</u> | <u>Denmark Technical College</u> |
|------------------------------|--|--------------------------------|--|---|--|
| \$ — | \$ — | \$ 1,914 | \$ — | \$ — | \$ — |
| 2,623 | 3,414 | 5,371 | 939 | 1,767 | 503 |
| 822 | 81 | 2,760 | 345 | 364 | 146 |
| 1,159 | 1,472 | 2,681 | 479 | 797 | 286 |
| 189 | 239 | 433 | 77 | 128 | 46 |
| 2,452 | 3,109 | 5,652 | 1,006 | 1,677 | 605 |
| 1,194 | 1,356 | 2,825 | 442 | 744 | 202 |
| 61 | 70 | 151 | 23 | 38 | 13 |
| — | — | — | — | — | — |
| <u>\$ 8,500</u> | <u>\$ 9,741</u> | <u>\$ 21,787</u> | <u>\$ 3,311</u> | <u>\$ 5,515</u> | <u>\$ 1,801</u> |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | 292 | — | — | — |
| 153 | 9,892 | 4,077 | 520 | 908 | 1,276 |
| 22 | 28 | 52 | 10 | 16 | 6 |
| 1 | 1 | 1 | — | — | — |
| 15 | 18 | 37 | 6 | 9 | 3 |
| 3,251 | 3,851 | 8,082 | 1,280 | 2,007 | 692 |
| <u>\$ 3,442</u> | <u>\$ 13,790</u> | <u>\$ 12,541</u> | <u>\$ 1,816</u> | <u>\$ 2,940</u> | <u>\$ 1,977</u> |

Continued on Next Page

| | Florence- Darlington Technical College | Greenville Technical College | Horry- Georgetown Technical College | Technical College of the Lowcountry |
|---------------------------------------|---|---|--|--|
| Deferred Outflows of Resources | | | | |
| Accumulated increase in fair | | | | |
| Deferred amount on refunding..... | \$ 322 | \$ 517 | \$ — | \$ — |
| Pensions: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 2,251 | 5,639 | 2,508 | 1,183 |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 581 | 123 | 265 | 56 |
| Net Differences between projected | | | | |
| and actual earnings on pension | | | | |
| plan investments..... | 1,160 | 2,527 | 1,209 | 533 |
| Differences between expected | | | | |
| and actual experience..... | 185 | 406 | 193 | 85 |
| Changes in assumptions..... | 2,431 | 5,311 | 2,534 | 1,117 |
| OPEB: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 1,060 | 2,452 | 1,206 | 498 |
| Net Differences between projected | | | | |
| and actual earnings on OPEB | | | | |
| plan investments..... | 56 | 126 | 60 | 25 |
| Differences between expected | | | | |
| and actual experience..... | — | — | — | — |
| Total..... | \$ 8,046 | \$ 17,101 | \$ 7,975 | \$ 3,497 |
| Deferred Inflows of Resources | | | | |
| Deferred service concession | | | | |
| arrangement receipts..... | \$ — | \$ — | \$ — | \$ — |
| Deferred nonexchange revenues..... | — | — | — | — |
| Pensions: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 770 | 2,911 | 412 | 281 |
| Differences between expected | | | | |
| and actual experience..... | 23 | 50 | 24 | 11 |
| OPEB: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 1 | 1 | 1 | — |
| Differences between expected | | | | |
| and actual experience..... | 14 | 31 | 15 | 6 |
| Changes in assumptions..... | 2,991 | 6,747 | 3,191 | 1,342 |
| Total..... | \$ 3,799 | \$ 9,740 | \$ 3,643 | \$ 1,640 |

State of South Carolina

| Midlands Technical College | Northeastern Technical College | Orangeburg- Calhoun Technical College | Piedmont Technical College | Spartanburg Community College | Tri-County Technical College |
|---|---|--|---|--|---|
| \$ 228 | \$ — | \$ — | \$ — | \$ — | \$ — |
| 5,985 | 358 | 1,477 | 2,166 | 2,466 | 2,617 |
| 1,327 | 7 | 79 | 28 | 536 | 1,287 |
| 2,798 | 249 | 701 | 1,008 | 1,095 | 1,154 |
| 450 | 40 | 114 | 163 | 175 | 186 |
| 5,885 | 522 | 1,483 | 2,122 | 2,299 | 2,432 |
| 2,535 | 226 | 608 | 903 | 1,040 | 1,149 |
| 130 | 12 | 32 | 46 | 52 | 57 |
| — | — | — | — | — | — |
| <u>\$ 19,338</u> | <u>\$ 1,414</u> | <u>\$ 4,494</u> | <u>\$ 6,436</u> | <u>\$ 7,663</u> | <u>\$ 8,882</u> |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — |
| 257 | 608 | 624 | 2,508 | 1,048 | 233 |
| 55 | 5 | 13 | 20 | 22 | 22 |
| 1 | — | — | — | — | 1 |
| 33 | 3 | 8 | 12 | 13 | 14 |
| 7,139 | 621 | 1,731 | 2,508 | 2,752 | 3,026 |
| <u>\$ 7,485</u> | <u>\$ 1,237</u> | <u>\$ 2,376</u> | <u>\$ 5,048</u> | <u>\$ 3,835</u> | <u>\$ 3,296</u> |

Continued on Next Page

| | Trident Technical College | Williamsburg Technical College | York Technical College | South Carolina Jobs- Economic Development Authority |
|---------------------------------------|---------------------------------|--------------------------------------|------------------------------|---|
| Deferred Outflows of Resources | | | | |
| Accumulated increase in fair | | | | |
| Deferred amount on refunding..... | \$ — | \$ — | \$ — | \$ — |
| Pensions: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 5,215 | 417 | 2,331 | 37 |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 104 | 5 | 537 | 53 |
| Net Differences between projected | | | | |
| and actual earnings on pension | | | | |
| plan investments..... | 2,649 | 188 | 1,034 | 13 |
| Differences between expected | | | | |
| and actual experience..... | 432 | 30 | 166 | 2 |
| Changes in assumptions..... | 5,608 | 395 | 2,175 | 28 |
| OPEB: | | | | |
| State contributions subsequent | | | | |
| to the measurement date..... | 2,391 | 172 | 1,003 | 15 |
| Net Differences between projected | | | | |
| and actual earnings on OPEB | | | | |
| plan investments..... | 126 | 8 | 51 | — |
| Differences between expected | | | | |
| and actual experience..... | — | — | — | 1 |
| Total..... | \$ 16,525 | \$ 1,215 | \$ 7,297 | \$ 149 |
| Deferred Inflows of Resources | | | | |
| Deferred service concession | | | | |
| arrangement receipts..... | \$ — | \$ — | \$ — | \$ — |
| Deferred nonexchange revenues..... | — | — | — | — |
| Pensions: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 7,513 | 337 | 702 | — |
| Differences between expected | | | | |
| and actual experience..... | 51 | 4 | 20 | — |
| OPEB: | | | | |
| Change in proportion and | | | | |
| differences between employer | | | | |
| contributions and proportionate | | | | |
| share of plan contributions..... | 1 | — | — | — |
| Differences between expected | | | | |
| and actual experience..... | 32 | 2 | 13 | — |
| Changes in assumptions..... | 6,890 | 464 | 2,714 | 34 |
| Total..... | \$ 14,487 | \$ 807 | \$ 3,449 | \$ 34 |

State of South Carolina

| Patriot's Point Development Authority | South Carolina First Steps to School Readiness Board of Trustees | Total |
|--|---|-------------------|
| \$ — | \$ — | \$ 4,243 |
| 465 | 412 | 75,567 |
| 456 | 2,399 | 23,894 |
| 242 | 316 | 37,065 |
| 39 | 50 | 5,991 |
| 507 | 664 | 78,167 |
| 234 | 161 | 37,362 |
| 11 | 13 | 1,916 |
| — | — | 1 |
| <u>\$ 1,954</u> | <u>\$ 4,015</u> | <u>\$ 264,206</u> |
| \$ — | \$ — | \$ 2,376 |
| — | — | 809 |
| — | — | 41,025 |
| 5 | 6 | 721 |
| — | — | 16 |
| 3 | 3 | 475 |
| 601 | 719 | 102,929 |
| <u>\$ 609</u> | <u>\$ 728</u> | <u>\$ 148,351</u> |

NOTE 10: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

The State generally does not purchase commercial insurance for the risks of losses for property damage, including theft of, damage to, and destruction of assets; automobile liability; tort liability; and medical professional liability. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Insurance Reserve Fund (IRF), within the internal service funds. The IRF services claims for risk of loss to which the State is exposed, including the following: property insurance on government-owned buildings, the contents of such buildings, equipment, and automobiles; automobile liability insurance on government owned vehicles and school buses; tort liability insurance for government premises and operations; and medical professional liability for hospitals. Although the State is the predominant participant in the IRF, county and municipal governments, school districts and special purpose political subdivisions also participate. The IRF allocates the cost of providing claims servicing and claims payment by charging each participant an actuarially determined premium for the coverage provided.

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 282,735 | \$ 106,839 | \$ (97,524) | \$ 292,050 |
| 2017 | 264,205 | 123,375 | (104,845) | 282,735 |

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above \$10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2018 the IRF had no reinsurance recoverable receivables, but had expenses of \$37.346 million in reinsurance premiums for the 2018 fiscal year.

b. Employee Insurance Programs Fund

State law established the Employee Insurance Programs Fund, part of the State's internal service funds, to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and to provide group life and long-term disability insurance coverage to eligible active State and public school employees. The State, the predominant participant, retains the risk of loss. Under the health insurance program, participants elect coverage through a State Health Plan or a fully funded health plan if available. All dental, group life, and long-term disability coverages are provided through the State's self-insured plans. State funds and payroll deductions pay health and dental premiums for eligible State and public school employees. Agencies and school districts pay the employer share of premiums for retirees. Retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long-term disability for their employees.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise, monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 8 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHTF for which claims liability information is also available in Note 8.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes

State of South Carolina

in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 222,617 | \$ 2,486,691 | \$ (2,462,595) | \$ 246,713 |
| 2017 | 216,688 | 2,344,347 | (2,338,418) | 222,617 |

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 254,014 | \$ 46,502 | \$ (48,526) | \$ 251,990 |
| 2017 | 250,413 | 51,595 | (47,994) | 254,014 |

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of \$1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first \$1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of \$1.000 million per occurrence up to a limit of \$9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2018 the Fund had a balance of \$1.201 million in reinsurance recoverable receivables and had expenses of \$2.684 million in reinsurance premiums for the 2018 fiscal year.

d. Uninsured Employers' Fund

The Uninsured Employers' Fund was established by Section 42-7-200. Effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund were devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. This long term liability is included in the Governmental Activities located in Exhibit A-1.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Uninsured Employers' Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

State of South Carolina

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 35,505 | \$ 3,560 | \$ (4,858) | \$ 34,207 |
| 2017 | 34,454 | 7,393 | (6,342) | 35,505 |

e. Patients' Compensation Fund

The South Carolina Medical Malpractice Patients' Compensation Fund (PCF) was created by State law. The PCF is accounted for as a nonmajor enterprise fund. The State accounts for the PCF as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the PCF follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The Medical Malpractice Liability Insurance Joint Underwriting Association (JUA), a discretely presented component unit, is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to \$200 thousand per incident or \$600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the PCF includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the PCF during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 48,362 | \$ 7,140 | \$ (8,682) | \$ 46,820 |
| 2017 | 54,478 | 1,362 | (7,478) | 48,362 |

f. Second Injury Fund

The Second Injury Fund, a major enterprise fund, was created by Code of Laws Section 42-7-310. It established the guidelines by which to pay compensation claims in those cases where an individual having an existing permanent physical impairment incurs a subsequent disability from injury by accident arising out of and in the course of employment. Funding for payment of compensation awards and for Fund operating costs is provided by equitable assessments upon all workmen's compensation insurance carriers, self-insurers, and the South Carolina State Accident Fund (approximately 360 entities). Participation is mandatory as required by State law. Participants of the fund are responsible for the fund's liabilities. Payments of claims and awards are made directly to the carriers and self-insurers. The State of South Carolina will not be responsible for any expense or liabilities of the fund, except the State Accident Fund, who is a participant in the fund.

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Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2018 | \$ 249,886 | \$ (185) | \$ (26,764) | \$ 222,937 |
| 2017 | 265,778 | 573 | (16,465) | 249,886 |

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the State Fiscal Accountability Authority.

NOTE 11: LEASES

a. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2018 for the primary government were as follows (expressed in thousands):

| Fiscal Year Ending June 30 | Governmental Activities |
|---|------------------------------------|
| 2019 | \$ 647 |
| 2020 | 634 |
| 2021 | 394 |
| 2022 | 181 |
| 2023 | 20 |
| Total minimum payments..... | 1,876 |
| Less: interest and executory costs..... | (131) |
| Net minimum payments..... | \$ 1,745 |

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2018, were as follows (expressed in thousands):

| Assets Acquired Under Capital Leases | Governmental Activities |
|--|------------------------------------|
| Machinery and equipment..... | \$ 8,846 |
| Assets acquired under capital leases before accumulated amortization..... | 8,846 |
| Less: accumulated amortization..... | (5,834) |
| Assets acquired under capital leases, net..... | \$ 3,012 |

b. Operating Leases

For the primary government's fiscal year ended June 30, 2018, minimum rental payments under operating leases were \$49.512 million and contingent rental payments were \$6.221 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

| Fiscal Year Ending June 30 | Governmental Activities | Business-type Activities | Totals |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------|
| 2019 | \$ 28,107 | \$ 32 | \$ 28,139 |
| 2020 | 25,164 | 33 | 25,197 |
| 2021 | 19,640 | 34 | 19,674 |
| 2022 | 14,692 | 35 | 14,727 |
| 2023 | 9,550 | 36 | 9,586 |
| 2024-2028 | 11,599 | 37 | 11,636 |
| 2029-2033 | 1,013 | — | 1,013 |
| 2034-2038 | 138 | — | 138 |
| Net minimum payments..... | \$ 109,903 | \$ 207 | \$ 110,110 |

c. Facilities and Equipment Leased to Others

At June 30, 2018, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately \$60.333 million and related accumulated depreciation of \$16.234 million. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

| Fiscal Year Ending June 30 | Governmental Activities |
|-----------------------------------|------------------------------------|
| 2019 | \$ 3,898 |
| 2020 | 2,911 |
| 2021 | 2,736 |
| 2022 | 2,347 |
| 2023 | 1,935 |
| 2024-2028 | 9,267 |
| 2029-2033 | 8,189 |
| 2034-2038 | 15 |
| Total..... | \$ 31,298 |

NOTE 12: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:

| | |
|---|--------------------------|
| Capital improvement bonds, 5.00%, maturing serially through 2019..... | \$ 8,698 |
| State highway bonds, 4.00% to 5.00%, maturing serially through 2023..... | 162,628 |
| Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028..... | 33,725 |
| State economic development bonds, 2.00% to 5.00%, maturing serially through 2029..... | 251,837 |
| Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029..... | 81,348 |
| Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025..... | 26,575 |
| Totals—primary government..... | <u>\$ 564,811</u> |

At June 30, 2018, \$6.344 million of capital improvement bonds, \$106.000 million of State highway bonds, \$161.125 million of State economic development bonds, and \$13.680 million of State research university infrastructure bonds were authorized by the General Assembly but unissued.

At June 30, 2018, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

| Year Ending June 30 | Governmental Activities | |
|---|--------------------------------|-------------------------|
| | Principal | Interest |
| 2019 | \$ 95,810 | \$ 20,854 |
| 2020 | 78,590 | 16,064 |
| 2021 | 91,690 | 12,230 |
| 2022 | 64,975 | 8,206 |
| 2023 | 46,080 | 5,314 |
| 2024-2028 | 118,720 | 7,860 |
| 2029 | 5,440 | 150 |
| Total debt service requirements..... | 501,305 | <u>\$ 70,678</u> |
| Unamortized premiums..... | 63,506 | |
| Total principal outstanding..... | <u>\$ 564,811</u> | |

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2018, was \$52.408 million for highway bonds, \$401.349 million for general obligation bonds excluding institution and highway bonds, \$33.368 million for economic development bonds, and \$18.482 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a \$170.000 million 2010 issue, an \$85.000 million 2013 issue, and an \$18.110 million 2015 issue of economic development bonds and a \$50.000 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

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b. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

| | <u>Bonds</u> | <u>Notes</u> |
|--|----------------------------|--------------------------|
| Primary Government: | | |
| <i>Governmental Activities:</i> | | |
| Infrastructure Bank bonds, 0.40% to 5.50%, maturing serially through 2041..... | \$ 1,729,005 | \$ — |
| Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038..... | 41,109 | — |
| Department of Transportation note, 3.04%, maturing through 2032..... | — | 4,535 |
| Department of Administration notes, 1.66% to 2.80%, maturing through 2023..... | — | 22,406 |
| Department of Education notes, 1.44% to 1.72%, maturing through 2023..... | — | 20,818 |
| Judicial Department note, 2.02%, maturing through 2021..... | — | 2,995 |
| Department of Corrections notes, 5.25%, maturing through 2020..... | — | 3,389 |
| Department of Probation, Parole and Pardon note, 1.81%, maturing through 2022..... | — | 902 |
| InvestSC, Inc. notes, 7.25%, maturing through 2023..... | — | 50,000 |
| <i>Totals—governmental activities.....</i> | <u>1,770,114</u> | <u>105,045</u> |
| <i>Business-Type Activities:</i> | | |
| Nonmajor enterprise fund bonds, 0.43%, maturing through 2038..... | \$ 5,555 | \$ — |
| Palmetto Railways note, 4.28%, maturing through 2047..... | — | 6,500 |
| <i>Totals—business-type activities.....</i> | <u>5,555</u> | <u>6,500</u> |
| <i>Totals—primary government.....</i> | <u>\$ 1,775,669</u> | <u>\$ 111,545</u> |

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, on such notional amount. For the fiscal year ended June 30, 2018, the Bank made variable bond interest payments of \$4.852 million and fixed rate payments on the exchange agreement of \$13.687 million. The Bank received variable swap payments on the exchange agreement of \$3.501 million. The June 30, 2018 mark to market value of this swap was negative \$1.350 million, representing an increase in fair value of \$28.383 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

Pledged Revenues for Payment of Debt

Certain revenue bonds require the individual business-type activities to provide sufficient revenue to pay debt service and to fund all necessary expenses of the activities. The funds that receive the proceeds of revenue, Infrastructure Bank, and other bonds and notes have pledged revenues for payment of debt service as follows:

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Primary Government:
Governmental Activities:

| Infrastructure Bank Bonds | |
|------------------------------|---|
| Specific revenue pledged | Truck and vehicle registration fees; One-cent motor fuel user fee; contributions receivable and intergovernmental loans |
| Approximate amount of pledge | \$316.571 million |
| General purpose for the debt | Provide financial assistance for major transportation projects for DOT |
| Term of commitment | FY 2041 |
| % of revenue stream pledged | 65.84% |
| Pledged revenue recognized | \$218.596 million |
| Principal & interest paid | \$131.780 million |

Debt Service Requirements

At June 30, 2018, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

| Year Ending June 30 | Primary Government | | | |
|---|-------------------------|-------------------|--------------------------|--------------|
| | Governmental Activities | | Business-Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 102,550 | \$ 69,955 | \$ 180 | \$ 8 |
| 2020 | 102,042 | 65,748 | 190 | 8 |
| 2021 | 103,189 | 60,206 | 195 | 8 |
| 2022 | 104,581 | 55,222 | 205 | 7 |
| 2023 | 63,670 | 50,211 | 215 | 7 |
| 2024-2028 | 378,411 | 205,672 | 1,225 | 31 |
| 2029-2033 | 497,852 | 143,006 | 1,495 | 21 |
| 2034-2038 | 254,780 | 65,703 | 1,850 | 9 |
| 2039-2041 | 119,105 | 17,605 | — | — |
| Total debt service requirements..... | 1,726,180 | \$ 733,328 | 5,555 | \$ 99 |
| Net unamortized premiums..... | 148,979 | | — | |
| Total principal outstanding..... | \$ 1,875,159 | | \$ 5,555 | |

On May 5, 2017, the Palmetto Railways purchased the assets of the Hampton and Branchville Railroad Company (H&B) for \$6.500 million. Financing for the acquisition was provided to the Division by the Colleton County Intermodal Corporation (CCIC), which obtained the funds from its issuance of taxable economic development revenue bonds.

Payments on the loan are payable only from the revenues and net income generated from the operation of H&B. Payments are limited to 10% of annual revenues of H&B and 25% of net income generated by H&B.

The loan matures on May 12, 2047 and may be extended in four increments of five years each, if certain conditions are met and the loan has not been paid in full by the maturity date. The loan has a put option beginning at the end of five years under which Palmetto Railways may relinquish its rights to the H&B in exchange for the loan being considered paid in full. The loan also contains a call option exercisable after five years under which CCIC can demand payment in full or repossess the H&B if the loan payments in the preceding fiscal year are less than CCIC's payment obligations on its taxable economic development revenue bonds for that year.

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The loan requires total payments of \$11.663 million, which includes \$6.500 million of principal that was borrowed to fund the acquisition of H&B. This leaves the remaining \$5.163 million allocated to interest expense. Because of the variable nature of the payments, the effective interest rate will vary depending on the timing and amount of the loan repayments. Assuming a level stream of payments over the life of the loan, the effective interest rate is calculated to be 4.28%.

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2018, in governmental functions for these entities as follows (expressed in thousands):

| | Amount |
|--|-------------------------|
| Transportation..... | \$ 80,555 |
| Total allocated interest expense..... | <u>\$ 80,555</u> |

c. Defeased Bonds

During July 2017, the State issued \$188.725 million in revenue refunding bonds with a 5.00% coupon rate over the life of the issue. The net proceeds after payment of \$1.177 million in issuance costs were used to refund \$203.580 million of the Series 2010A Transportation Infrastructure Bank Revenue Bonds. The bonds were refunded to reduce total debt service payments by approximately \$41.482 million and to obtain an economic gain of approximately \$23.992 million.

During November 2017, the State defeased \$53.885 million in Series 2012A Refunding Economic Development General Obligation Bonds, 2016A Economic Development General Obligation Bonds, Series 2016B Economic Development General Obligation Bonds, and Series 2016C Economic Development General Obligation Bonds. The bonds were defeased to obtain an economic gain of approximately \$1.285 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has removed the defeased bonds from the accompanying financial statements. At June 30, 2018, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

| | Governmental Activities |
|---------------------------------|------------------------------------|
| Economic Development bonds..... | \$ 104,323 |
| Research University bonds..... | 20,986 |
| Infrastructure Bank bonds..... | 203,580 |
| Tobacco Authority bonds..... | 64,890 |
| Totals..... | <u>\$ 393,779</u> |

d. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2018, there was no arbitrage rebate liability associated with the State's General Obligation Debt and with the Local Government Infrastructure Fund (a major governmental fund).

e. Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2018, the outstanding balance of bonds issued was \$234.894 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2018, were (expressed in thousands):

| | Balances at July 1, 2017 (As Restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|--------------|----------------|------------------------------|-----------------------------------|
| Primary Government: | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Policy claims..... | \$ 794,871 | \$ 2,643,592 | \$ (2,613,503) | \$ 824,960 | \$ 640,181 |
| Notes payable..... | 86,971 | 27,954 | (9,880) | 105,045 | 25,815 |
| General obligation bonds payable..... | 676,540 | — | (175,235) | 501,305 | 95,810 |
| Unamortized discounts and premiums..... | 79,632 | — | (16,126) | 63,506 | — |
| Total general obligation bonds payable..... | 756,172 | — | (191,361) | 564,811 | 95,810 |
| Infrastructure Bank bonds payable..... | 1,671,045 | 188,725 | (274,840) | 1,584,930 | 75,640 |
| Unamortized discounts and premiums..... | 117,187 | 30,041 | (3,153) | 144,075 | — |
| Total Infrastructure Bank bonds..... | 1,788,232 | 218,766 | (277,993) | 1,729,005 | 75,640 |
| Revenue bonds payable..... | 39,320 | — | (3,115) | 36,205 | 1,095 |
| Unamortized discounts and premiums..... | 4,950 | — | (46) | 4,904 | — |
| Total revenue bonds payable..... | 44,270 | — | (3,161) | 41,109 | 1,095 |
| Capital leases payable..... | 1,871 | 1,926 | (2,052) | 1,745 | 574 |
| Compensated absences payable..... | 229,399 | 126,351 | (168,894) | 186,856 | 122,497 |
| Net pension liability..... | 3,702,604 | 244,082 | — | 3,946,686 | — |
| Net other post-employment benefit liability.... | 3,027,100 | — | (193,023) | 2,834,077 | — |
| Judgments and contingencies payable..... | 12,637 | 12,909 | (12,637) | 12,909 | 12,909 |
| Arbitrage payable..... | 545 | — | (545) | — | — |
| Total long-term liabilities..... | \$ 10,444,672 | \$ 3,275,580 | \$ (3,473,049) | \$ 10,247,203 | \$ 974,521 |

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| | Balances at July 1, 2017 (As Restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|-----------|-------------|------------------------------|-----------------------------------|
| Primary Government: | | | | | |
| <i>Business-type Activities</i> | | | | | |
| Policy claims..... | \$ 298,248 | \$ 6,955 | \$ (35,446) | \$ 269,757 | \$ 29,399 |
| Notes payable..... | — | 6,500 | — | 6,500 | — |
| Revenue bonds payable..... | 5,730 | — | (175) | 5,555 | 180 |
| Compensated absences payable..... | 655 | 364 | (494) | 525 | 309 |
| Net pension liability..... | 14,236 | 1,875 | — | 16,111 | — |
| Net other post-employment benefit liability.... | 3,834 | — | (245) | 3,589 | — |
| Total long-term liabilities..... | \$ 322,703 | \$ 15,694 | \$ (36,360) | \$ 302,037 | \$ 29,888 |

NOTE 14: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2018, the amounts constrained within the fund balance in governmental funds (expressed in thousands) were as follows:

| | General | Departmental Program Services | Local Government Infrastructure | Department of Transportation Special Revenue | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------------|---------------------------------------|---|-----------------------------------|--------------------------------|
| Non-spendable: | | | | | | |
| Interfund receivables..... | \$ 51,142 | \$ — | \$ — | \$ — | \$ — | \$ 51,142 |
| Inventories..... | 29,730 | 12,468 | — | 2,595 | — | 44,793 |
| Prepaid items..... | 12,281 | 2,082 | — | 5,146 | 1 | 19,510 |
| Other assets..... | — | — | — | 241 | — | 241 |
| Long-term loans and notes receivable | 35,784 | — | — | — | — | 35,784 |
| Endowments | — | — | — | — | 11,234 | 11,234 |
| Total Non-spendable | 128,937 | 14,550 | — | 7,982 | 11,235 | 162,704 |
| Restricted: | | | | | | |
| Primary and Secondary Education..... | 116,896 | 77,821 | — | — | 132,291 | 327,008 |
| Health, Human Services and Environment..... | 584,451 | 648,841 | — | — | 49,245 | 1,282,537 |
| Transportation..... | — | 6,492 | 1,309,570 | 334,280 | — | 1,650,342 |
| Capital Projects..... | — | — | — | — | 114,076 | 114,076 |
| Debt Service..... | — | — | 813,504 | — | — | 813,504 |
| Administration of Justice..... | — | 109,708 | — | — | — | 109,708 |
| Waste management..... | — | — | — | — | 172,272 | 172,272 |
| General Government..... | 433,357 | 228,872 | — | — | 256,114 | 918,343 |
| Total Restricted | 1,134,704 | 1,071,734 | 2,123,074 | 334,280 | 723,998 | 5,387,790 |
| Committed: | | | | | | |
| General Government..... | 467,816 | 19,784 | — | 419,976 | 30,870 | 938,446 |
| Capital reserve fund..... | — | — | — | — | 25,490 | 25,490 |
| Primary and Secondary Education..... | 33,818 | — | — | — | — | 33,818 |
| Health, Human Services and Environment..... | 3,791 | — | — | — | — | 3,791 |
| Total Committed | 505,425 | 19,784 | — | 419,976 | 56,360 | 1,001,545 |
| Assigned: | | | | | | |
| Primary and Secondary Education..... | 9,267 | 941 | — | — | — | 10,208 |
| Health, Human Services and Environment..... | 47,030 | 8,659 | — | — | — | 55,689 |
| General Government..... | 108,701 | 2,821 | — | — | 4,218 | 115,740 |
| Administration of Justice..... | 12,780 | 1,139 | — | — | — | 13,919 |
| Economic Development..... | 52,125 | 483 | — | — | — | 52,608 |
| Transportation..... | 1,582 | — | — | — | — | 1,582 |
| Social Programs..... | 20,873 | 4,311 | — | — | — | 25,184 |
| Total Assigned | 252,357 | 18,354 | — | — | 4,218 | 274,929 |
| Total Unassigned | 2,186,155 | (678,731) | — | — | — | 1,507,424 |
| Total Fund Balances | \$ 4,207,578 | \$ 445,691 | \$ 2,123,074 | \$ 762,238 | \$ 795,811 | \$ 8,334,392 |

The following subsections contain further descriptive information regarding the constraints of fund balance.

State of South Carolina

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact (endowments).

b. Restricted

Primary and Secondary Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

These are restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Administration of Justice

These are restricted resources for the continuation and enhancement of programs to improve the safety of the citizens and visitors of the State of South Carolina. Programs promote law enforcement agencies, judicial agencies and corrections of the State, its resources, citizens, and travelers.

Waste Management

The balance represents resources received from external parties which requires the use of the resources for governmental actions involving uncontrolled hazardous waste sites.

General Government

General Government includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

General Government

This represents the portion of the fund balance, which is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the General Fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund.

Primary and Secondary Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

d. Assigned

Primary and Secondary Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health, Human Services and Environment

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

General Government

The fund balance reported in this category is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

Administration of Justice

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to the courts to ensure the safety of its citizens and visitors.

Economic Development

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to assist in bringing businesses to South Carolina or expanding current businesses within South Carolina as it relates to infrastructure.

Transportation

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

e. Unassigned

Included in the unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2018 fiscal year if it equals 5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year.

If the State withdraws funds from the Reserve to cover a year-end deficit, it must replace the funds within five years. The Constitution requires that at least one percent of the Budgetary General Fund revenue (budgetary basis) of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

At June 30, 2018, the Reserve met the legally-required fully funded amount.

NOTE 15: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The State adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The State is now required to record a liability for future pension benefits in excess of accumulated plan contributions. The amounts in the "Other Adjustments" column are due to the correction of errors related to prior periods, as described on the page that follows.

| | 7/1/2017 Fund Equity as Previously Reported | Implementation of GASB 75 | Adjustments | 7/1/2017 Fund Equity as Restated |
|--|--|------------------------------|--------------------|--|
| Primary Government | | | | |
| <u>Governmental Funds:</u> | | | | |
| General Fund | \$ 3,700,226 | \$ — | \$ 41,841 | \$ 3,742,067 |
| Departmental Program Services | 406,736 | — | — | 406,736 |
| Local Government Infrastructure | 2,083,877 | — | — | 2,083,877 |
| Department of Transportation Special Revenue | 515,148 | — | — | 515,148 |
| Other Nonmajor Governmental Funds | 754,316 | — | — | 754,316 |
| Total Governmental Funds | 7,460,303 | — | 41,841 | 7,502,144 |
| Internal Service Funds | 642,496 | (48,252) | — | 594,244 |
| <u>Government-Wide Adjustments:</u> | | | | |
| Capital assets | 16,644,966 | — | — | 16,644,966 |
| Net deferred outflows and inflows | 797,079 | — | — | 797,079 |
| Long-term liabilities | (6,704,425) | (2,891,160) | (50,000) | (9,645,585) |
| Total Government-Wide Adjustments | 10,737,620 | (2,891,160) | (50,000) | 7,796,460 |
| Total Governmental Activities | 18,840,419 | (2,939,412) | (8,159) | 15,892,848 |
| <u>Business-Type Activities - Enterprise Funds:</u> | | | | |
| Unemployment Compensation Fund | 792,899 | — | — | 792,899 |
| Second Injury Fund | (15,686) | — | — | (15,686) |
| Other nonmajor enterprise funds | 141,518 | (3,736) | — | 137,782 |
| Total Business-Type Activities - Enterprise Funds ... | 918,731 | (3,736) | — | 914,995 |
| Total Primary Government | \$ 19,759,150 | \$ (2,943,148) | \$ (8,159) | \$ 16,807,843 |
| Component Units | | | | |
| Public Service Authority | \$ 1,990,034 | \$ — | \$ — | \$ 1,990,034 |
| MUSC | 953,700 | (1,116,773) | — | (163,073) |
| USC | 1,192,884 | (917,212) | (13,508) | 262,164 |
| Clemson University | 1,347,011 | (578,046) | — | 768,965 |
| State Ports Authority | 835,287 | (41,675) | — | 793,612 |
| Housing Authority | 421,847 | (12,247) | — | 409,600 |
| Lottery Commission | 1,126 | (12,092) | — | (10,966) |
| Nonmajor component units | 1,704,748 | (1,148,375) | — | 556,373 |
| Total Component Units | \$ 8,446,637 | \$ (3,826,420) | \$ (13,508) | \$ 4,606,709 |

During fiscal year 2018, the following prior year errors were discovered: (1) InvestSC, Inc., which was previously not included in the reporting entity, should have been included in the State's General Fund, causing an understatement of \$41.841 million in the State's governmental funds and an overstatement of \$8.159 million in the State's government-wide Governmental Activities; and (2) in fiscal year 2018 the University of South Carolina's Controller's Office along with the Columbia Athletic Department made the decision to transition the Gamecock Club from the University's Athletic Department and to treat the Gamecock Club as a discretely presented component unit in accordance with GASB standards. As a result, ending restricted net position for the University for the year ended June 30, 2018 decreased by \$13.508 million. These corrections and restatements of July 1, 2017 fund equity are shown in the "Adjustments" column above.

NOTE 16: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2018 (expressed in thousands):

| Funds | Due From | Due To |
|--|--------------------------|--------------------------|
| General Fund | | |
| Departmental Program Services..... | \$ 60,193 | \$ 9,662 |
| Department of Transportation Special Revenue..... | 698 | 45,770 |
| Local Government Infrastructure..... | 34 | 9,279 |
| Nonmajor governmental funds..... | 88 | — |
| Internal service..... | 808 | 12,720 |
| Unemployment Compensation..... | 2,869 | — |
| Nonmajor enterprise funds..... | 85 | — |
| | <u>64,775</u> | <u>77,431</u> |
| Departmental Program Services | | |
| General Fund..... | 9,662 | 60,193 |
| Department of Transportation Special Revenue..... | — | 653 |
| Internal service..... | — | 895 |
| | <u>9,662</u> | <u>61,741</u> |
| Department of Transportation Special Revenue Fund | | |
| General Fund..... | 45,770 | 698 |
| Departmental Program Services..... | 653 | — |
| Local Government Infrastructure..... | 1,873 | 1,077 |
| Internal service..... | 279 | — |
| Fiduciary..... | — | 11,173 |
| | <u>48,575</u> | <u>12,948</u> |
| Local Government Infrastructure | | |
| General Fund..... | 9,279 | 34 |
| Department of Transportation Special Revenue Fund..... | 1,077 | 1,873 |
| | <u>10,356</u> | <u>1,907</u> |
| Nonmajor Governmental Funds | | |
| General Fund..... | — | 88 |
| Internal Service | | |
| General Fund..... | 12,720 | 808 |
| Departmental Program Services..... | 895 | — |
| Department of Transportation Special Revenue Fund..... | — | 279 |
| Internal service..... | 173 | 173 |
| | <u>13,788</u> | <u>1,260</u> |
| Unemployment Compensation | | |
| General Fund..... | — | 2,869 |
| Nonmajor Enterprise Funds | | |
| General Fund..... | — | 85 |
| Fiduciary | | |
| Department of Transportation Special Revenue..... | 11,173 | — |
| Fiduciary..... | 67,347 | 67,347 |
| | <u>78,520</u> | <u>67,347</u> |
| Totals..... | <u>\$ 225,676</u> | <u>\$ 225,676</u> |

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Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30.

| Funds | Interfund Receivables | Interfund Payables | Receivables Long-term Portion |
|--|----------------------------------|-------------------------------|--|
| General Fund | | | |
| Departmental Program Services..... | \$ — | \$ 1,550 | \$ — |
| Nonmajor enterprise funds..... | 51,000 | — | — |
| Internal service..... | 142 | 400 | 142 |
| | <u>51,142</u> | <u>1,950</u> | <u>142</u> |
| Departmental Program Services | | | |
| General Fund..... | <u>1,550</u> | <u>—</u> | <u>—</u> |
| Local Government Infrastructure | | | |
| Department of Transportation Special Revenue..... | <u>177,450</u> | <u>—</u> | <u>152,057</u> |
| Department of Transportation Special Revenue Fund | | | |
| Local Government Infrastructure..... | <u>—</u> | <u>177,450</u> | <u>—</u> |
| Nonmajor Enterprise Funds | | | |
| General Fund..... | <u>—</u> | <u>51,000</u> | <u>—</u> |
| Internal Service | | | |
| General Fund..... | <u>400</u> | <u>142</u> | <u>—</u> |
| Totals..... | <u>\$ 230,542</u> | <u>\$ 230,542</u> | <u>\$ 152,199</u> |

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- \$177.450 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- \$51.000 million owed by the Palmetto Railways Fund, a nonmajor enterprise fund, to the General Fund. The \$51.000 million is an interest free loan from the Department of Commerce to the Palmetto Railways Fund that matures on October 31, 2018.

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The following table summarizes interfund transfers during the fiscal year ended June 30, 2018 (expressed in thousands):

| Funds | Transfers In | Transfers Out |
|---|--------------------------|--------------------------|
| General Fund | | |
| Departmental Program Services | \$ — | \$ 36,413 |
| Local Government Infrastructure..... | — | 4,142 |
| Department of Transportation..... | — | 50,057 |
| Nonmajor governmental funds..... | 99,737 | 94,295 |
| Unemployment Compensation Benefits..... | 200 | — |
| Second Injury..... | 250 | — |
| Nonmajor enterprise funds..... | 8,795 | 44 |
| Internal service..... | 86 | — |
| | <u>109,068</u> | <u>184,951</u> |
| Departmental Program Services | | |
| General Fund..... | 36,413 | — |
| Internal service..... | 567 | — |
| | <u>36,980</u> | <u>—</u> |
| Local Government Infrastructure | | |
| General Fund..... | 4,142 | — |
| | <u>4,142</u> | <u>—</u> |
| Department of Transportation | | |
| General Fund..... | 50,057 | — |
| | <u>50,057</u> | <u>—</u> |
| Nonmajor Governmental Funds | | |
| General Fund..... | 94,295 | 99,737 |
| Nonmajor governmental funds..... | 79,077 | 79,077 |
| Internal Service..... | 7,223 | — |
| | <u>180,595</u> | <u>178,814</u> |
| Unemployment Compensation Benefits | | |
| General Fund..... | — | 200 |
| Second Injury Fund | | |
| General Fund..... | — | 250 |
| Nonmajor Enterprise Funds | | |
| General Fund..... | 44 | 8,795 |
| Internal Service | | |
| General Fund..... | — | 86 |
| Internal Service funds..... | 2,258 | 2,258 |
| Nonmajor governmental funds..... | — | 7,223 |
| Department Program Services..... | — | 567 |
| | <u>2,258</u> | <u>10,134</u> |
| Totals..... | <u>\$ 383,144</u> | <u>\$ 383,144</u> |

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds.

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The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2018 (expressed in thousands):

| Funds | Due From | Due To |
|--|-------------------------|-------------------------|
| General Fund | | |
| MUSC..... | \$ — | \$ 750 |
| USC..... | 101 | 820 |
| Clemson University..... | — | 4,959 |
| Housing Authority..... | — | 1,521 |
| Nonmajor discretely presented component units..... | <u>7,310</u> | <u>13,215</u> |
| | <u>7,411</u> | <u>21,265</u> |
| Departmental Program Services | | |
| MUSC..... | — | 12,312 |
| USC..... | — | 7,003 |
| Clemson University..... | — | 4,273 |
| Nonmajor discretely presented component units..... | <u>—</u> | <u>2,194</u> |
| | <u>—</u> | <u>25,782</u> |
| Department of Transportation Special Revenue Fund | | |
| Nonmajor discretely presented component units..... | <u>327</u> | <u>—</u> |
| Nonmajor Governmental Funds | | |
| Clemson University..... | — | 239 |
| Lottery Commission..... | 13,851 | — |
| Nonmajor discretely presented component units..... | <u>8,332</u> | <u>8,029</u> |
| | <u>22,183</u> | <u>8,268</u> |
| Internal Service | | |
| USC..... | 4,799 | — |
| Clemson University..... | 3,844 | — |
| Nonmajor discretely presented component units..... | <u>4,763</u> | <u>—</u> |
| | <u>13,406</u> | <u>—</u> |
| Governmental activities total..... | <u>43,327</u> | <u>55,315</u> |
| MUSC | | |
| General Fund..... | 750 | — |
| Departmental Program Services..... | <u>12,312</u> | <u>—</u> |
| | <u>13,062</u> | <u>—</u> |
| USC | | |
| General Fund..... | 820 | 101 |
| Departmental Program Services..... | 7,003 | — |
| Internal service..... | <u>—</u> | <u>4,799</u> |
| | <u>7,823</u> | <u>4,900</u> |
| Clemson University | | |
| General Fund..... | 4,959 | — |
| Departmental Program Services..... | 4,273 | — |
| Nonmajor governmental funds..... | 239 | — |
| Internal service..... | <u>—</u> | <u>3,844</u> |
| | <u>9,471</u> | <u>3,844</u> |
| Housing Authority | | |
| General Fund..... | <u>1,521</u> | <u>—</u> |
| Lottery Commission | | |
| Departmental Program Services..... | <u>—</u> | <u>13,851</u> |
| Nonmajor Discretely Presented Component Units | | |
| General Fund..... | 13,215 | 7,310 |
| Departmental Program Services..... | 2,194 | — |
| Department of Transportation Special Revenue Fund..... | — | 327 |
| Nonmajor governmental funds..... | 8,029 | 8,332 |
| Internal service..... | <u>—</u> | <u>4,763</u> |
| | <u>23,438</u> | <u>20,732</u> |
| Discretely presented component units total..... | <u>55,315</u> | <u>43,327</u> |
| Totals..... | <u>\$ 98,642</u> | <u>\$ 98,642</u> |

NOTE 17: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2018, the Educational Television Endowment of South Carolina, Inc., disbursed \$5.942 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of \$385 thousand at June 30, 2018.

The Education Assistance Authority, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2018, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC \$92.200 million; program revenue from SLC \$2.839 million; reimbursements to SLC for administrative costs \$412 thousand; and payable to SLC \$657 thousand.

NOTE 18: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate (**Abbeville County School District vs State of South Carolina**). The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. On November 12, 2014, the Supreme Court issued an opinion in favor of the Plaintiffs. The Court directed the Plaintiffs and the Defendants "to reappear before this Court within a reasonable time from the issuance of this opinion, and present a plan to address the constitutional violation ... with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing these districts at both the state and local levels." On November 5, 2015 the S.C. Supreme Court issued an order that within one week of the conclusion of the 2016 legislative session, the State will submit a written summary to the Court detailing their efforts to implement a constitutionally compliant education system, including all proposed, pending or enacted legislation. The Court will conduct a review of the plan and issue an order of the summary analyzing whether the States' efforts are a rational means to bringing the system of public education in South Carolina into constitutional compliance and whether or not the Court's continued maintenance of jurisdiction is necessary. To date, the Court has not issued an order based upon its review of the submissions of the Defendants. The Supreme Court issued an order on September 20, 2016 stating in part as follows: "We opt to continue to monitor the progress towards a constitutionally compliant education system by requiring the submission of another report by the parties by June 30, 2017." The parties have submitted the required reports by the June 30, 2017 deadline. A motion to vacate continuing jurisdiction was filed and in November 2017 the Supreme Court dismissed the case.

In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. The plaintiff claims that the taking is due to the Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than \$100 million in damages. The parties agreed to a stay of this suit while the Administrative Law Court (ALC) determines Kiawah's appeal of the permitting decision. The ALC ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. On December 10, 2014, the Court reversed the ALC decision and remanded the case to that court for further consideration. The ALC issued rulings on remand in March and April of 2016, which were appealed. Oral arguments were heard on September 27, 2017. In April 2018, the Supreme Court affirmed the decision of the ALC as modified, the effect of which was to eliminate the ALC's approval of an erosion control structure for over 2,400 feet of shoreline. An appeal is now pending before the ALC of a Stormwater permit including an in-ground steel sheet pile wall. A final decision regrading that permit may have a significant bearing on the issues in this case. The takings suit remains under a stay that will last until 30 days after the final disposition of the stormwater permit appeal. Assessing the likelihood of a loss and the amount of any loss is somewhat speculative in that the ALC proceeding must be resolved before the underlying takings action proceeds. Therefore, no determination has yet been made as to a risk of loss.

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The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately \$43.4 million and \$4.0 million in lost future revenues. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 10a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2018, or earlier years will not have a material impact on the State's financial statements.

c. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2018, the following agencies had outstanding commitments for the identified programs:

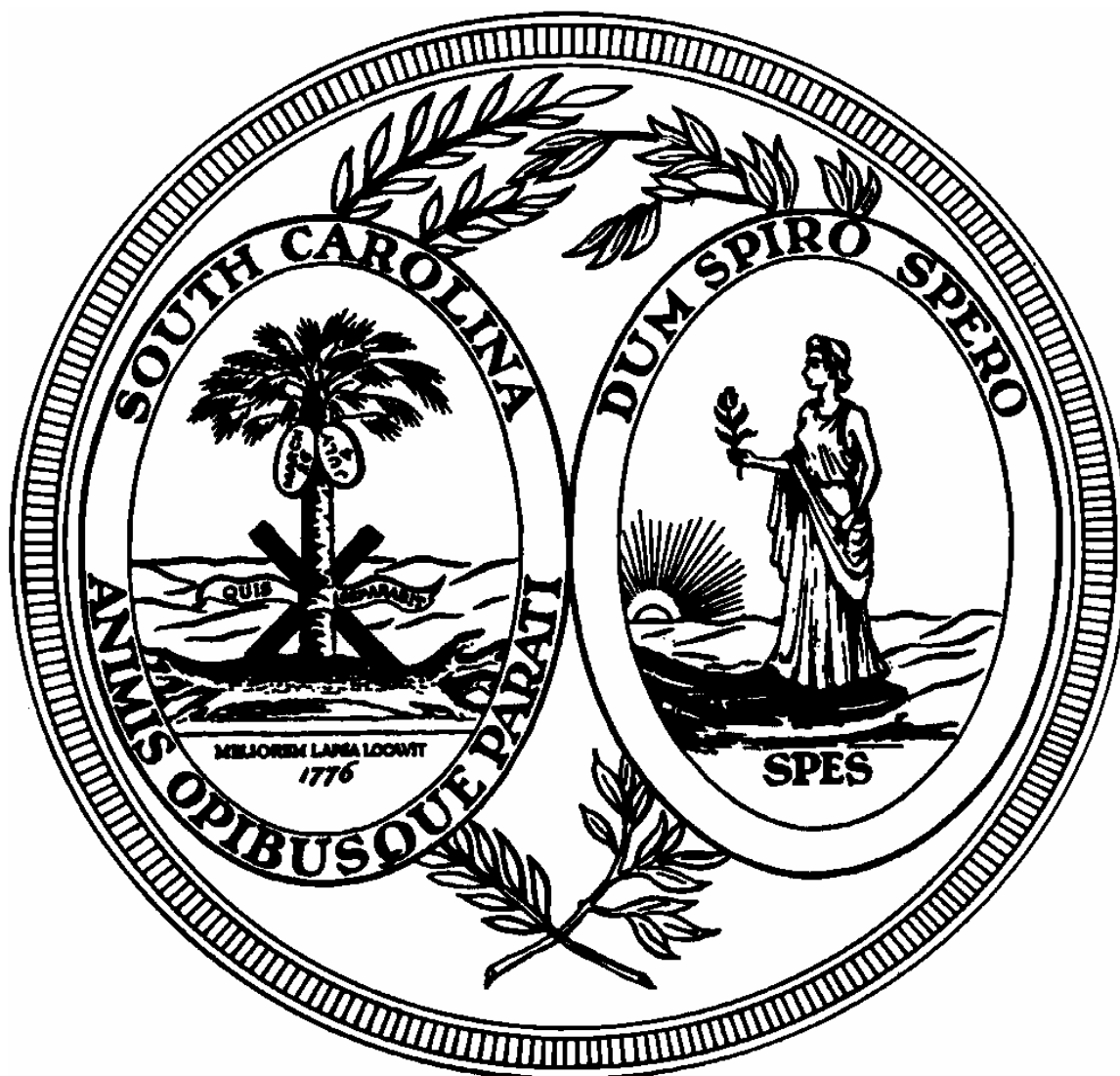
- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has \$1.034 billion remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has \$266.188 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, \$44.016 million will be funded by federal grants.
- The Office of Regulatory Staff has \$1.785 million for energy efficiency improvement projects. Federal grants will fund \$1.785 million of this commitment.
- The Division of Aeronautics has \$4.588 million for grants made to municipal and county airports for capital improvements. Federal grants will fund \$40 thousand of this commitment.
- The State Board for Technical and Comprehensive Education has \$29.768 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety along with the Attorney General have \$31.247 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which \$31.110 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has \$9.113 million for grant program activities and pass-through grants to subrecipients, of which \$9.113 million will be funded by federal grants.
- The South Carolina Judicial Department has \$5.878 million outstanding commitments related to vendor service contracts.
- The South Carolina Department of Revenue has \$25.554 million outstanding commitments for vendor contracts related to services for the new tax reporting and processing software.
- The Rural Infrastructure Authority has \$241.850 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities, of which \$30.395 million will be funded by federal grants.
- The Department of Health and Environmental Control has \$1.348 million in outstanding commitments for interim remediation at the Brewer Gold Mine Site of which \$452 thousand will be funded by a federal credit.

d. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2019 in maintaining these sites is \$6.895 million. The Pinewood Site is \$3.910 million of this total. This estimated loss is based upon the current budgetary request of the department and the annual operating costs less capital expenditures for the Pinewood Site. On September 13, 2016 the court approved the establishment of Pinewood

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Trustee, Inc. to be the new trustee for the Pinewood Site. During fiscal year 2017, \$5.200 million in capital budgeted funds were deposited with the trustee to continue site improvements that will result in lower operating costs once they are completed. In fiscal year 2018, the budgeted \$3.910 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2018 were \$4.161 million and \$2.078 million, respectively.



NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2018, the reported amount of the major discretely presented component units' deposits was \$1.009 billion and the bank balance was \$1.019 billion. Of the \$989.451 million bank balance exposed to custodial credit risk, \$343.821 million was uninsured and uncollateralized, \$123.785 million was uninsured and collateralized with securities held by the pledging financial institution, and \$521.845 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

Investments

The major discretely presented component units categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, each major discretely presented component unit performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by each major discretely presented component units custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. Each major discretely presented component unit may override prices provided by the custodian bank if it is deemed necessary or appropriate.

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The major discretely presented component units have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

| Investments by Fair Value Level | At 6/30/2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|---|---------------------|---|--|
| <u>Investments</u> | | | |
| U.S. treasuries..... | \$ 381,928 | \$ — | \$ 381,928 |
| U.S. agencies..... | 1,098,959 | — | 1,098,959 |
| Mortgage backed obligations..... | 16,030 | 16,030 | — |
| Common stock..... | 130,997 | 130,997 | — |
| Other equity securities..... | 787,400 | 787,400 | — |
| Corporate bonds..... | 51,305 | — | 51,305 |
| Repurchase agreements..... | 100,000 | — | 100,000 |
| Asset backed securities..... | 916 | 916 | — |
| Commercial paper..... | 44,851 | 44,851 | — |
| Money market mutual funds..... | 137,490 | 137,490 | — |
| Bond mutual funds..... | 193,709 | 193,709 | — |
| Other..... | 106,222 | 106,222 | — |
| Total Investments at Fair Value..... | \$ 3,049,807 | \$ 1,417,615 | \$ 1,632,192 |

Investments measured at the net asset value (NAV)

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--|---------------------|---------------------------------|---------------------------------|-------------------------------------|
| Private partnership - equity (1)..... | \$ 55,918 | \$ 30,941 | N/A | N/A |
| Private partnership - real assets (1)..... | 13,490 | 15,134 | N/A | N/A |
| Equity long/short hedge funds (2)..... | 3,757 | 0 | Quarterly | 5 days |
| Multi-strategy hedge funds (3)..... | 13,029 | 0 | Monthly | 30 days |
| Partnerships (4)..... | 102,043 | 28,800 | Monthly | 7 days |
| Hedge Funds (5)..... | 196,692 | 600 | Monthly to Annually | 3-95 days |
| Total investments measured at the NAV..... | \$ 384,929 | \$ 75,475 | | |
| Total investments measured at fair value..... | \$ 3,434,736 | \$ 1,493,090 | | |

Investment derivative instruments

Alternative Investments

| | | | |
|---|-------------------|-------------|-------------------|
| Interest rate swaps..... | (1,223) | — | (1,223) |
| Total investment derivative instruments..... | \$ (1,223) | \$ — | \$ (1,223) |

Total Invested Assets..... \$ 3,433,513

(1) Private partnership - equity and Private partnership - real assets. This category includes investments in private equity, buyout, real assets and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using the NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.

(2) Equity long/short hedge funds. This hedge fund is a multiple-manager investment fund that specializes primarily in classic long/short hedged equity strategies. The hedge fund invests globally, with a majority of the exposure in liquid, developed markets, and invests primarily in private investment partnerships or limited liability companies and in separately managed accounts, each of which are managed by independent managers.

(3) Multi-strategy hedge funds. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in U.S. index funds.

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(4) Partnerships. The MUSC Foundation holds ownership positions in several partnerships with investment strategies including private equity partnerships, energy and natural resources, fund of fund hedge funds investing primarily in equity and fixed income securities, real estate and real estate related securities. For the majority of these partnerships, the Foundation is subject to redemption restrictions and cannot redeem from its investment in the fund. The manager has discretion on the timing of distributing the capital.

(5) Hedge Funds. The MUSC Foundation and Clemson Foundation hold ownership shares in several hedge funds with investment strategies including fund of fund long/short equity managers. Management of MUSC and the Clemson Foundation believe that the investment strategies employed and availability of other resources allow the Foundations to be unaffected by lock-ups.

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2018, as follows:

| Investment Type | Reported Amount |
|----------------------------------|----------------------------|
| U.S. treasuries..... | \$ 381,928 |
| U.S. agencies..... | 1,098,959 |
| Mortgage backed obligations..... | 16,030 |
| Common stock | 130,997 |
| Other equity securities..... | 843,318 |
| Corporate bonds..... | 51,305 |
| Repurchase agreements..... | 100,000 |
| Asset backed securities..... | 14,406 |
| Commercial paper..... | 44,851 |
| Money market mutual funds..... | 137,490 |
| Bond mutual funds..... | 210,494 |
| Other..... | 404,958 |
| Totals..... | \$ 3,434,736 |

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At fiscal year end, Clemson University, the Medical University of South Carolina, the State Ports Authority, and the Public Service Authority, all major discretely presented component units, held investments in U.S. Government securities which do not require disclosure of credit quality. In addition to U.S. Government securities, Clemson University, the State Housing Authority, the Medical University of South Carolina, the State Ports Authority, Public Service Authority, and the University of South Carolina held investments as listed below with Standard and Poor's rating scale (expressed in thousands):

| Investment Type and Fair Value | AAA | AA | A | BBB | Alternative Rating | Not Rated |
|---------------------------------------|---------------------|------------------|------------------|------------------|---------------------------|-------------------|
| U.S. agencies..... | \$ 1,072,126 | \$ 25,572 | \$ — | \$ — | \$ — | \$ 1,261 |
| Mortgage backed obligations..... | — | — | — | — | — | 16,030 |
| Corporate bonds..... | — | 1,740 | 22,231 | 10,422 | — | 16,912 |
| Repurchase agreements..... | 100,000 | — | — | — | — | — |
| Asset backed securities..... | — | — | — | — | — | 14,406 |
| Commercial paper..... | — | — | 44,851 | — | — | — |
| Money market mutual funds..... | 68,368 | — | — | — | 47 | 69,075 |
| Bond mutual funds..... | — | — | — | — | 247 | 210,247 |
| Other..... | — | — | — | — | 296 | 341,872 |
| Totals..... | \$ 1,240,494 | \$ 27,312 | \$ 67,082 | \$ 10,422 | \$ 590 | \$ 669,803 |

The State's major discretely presented component units may have interest rate risk policies that differ from that of the State Treasurer. At June 30, 2018, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|----------------------------------|---------------------|---|-------------------|------------------|---------------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| U.S. treasuries..... | \$ 381,928 | \$ 304,326 | \$ 53,204 | \$ 1,782 | \$ 22,616 |
| U.S. agencies..... | 1,098,959 | 693,843 | 226,176 | 36,601 | 142,339 |
| Mortgage backed obligations..... | 16,030 | — | 13,976 | 1,271 | 783 |
| Corporate bonds..... | 51,305 | 633 | 39,000 | 11,672 | — |
| Repurchase agreements..... | 100,000 | 100,000 | — | — | — |
| Asset backed securities..... | 14,406 | — | 14,406 | — | — |
| Commercial paper..... | 44,851 | 44,851 | — | — | — |
| Money market mutual funds..... | 85,201 | 85,201 | — | — | — |
| Bond mutual funds..... | 74,702 | 74,273 | — | 283 | 146 |
| Other..... | 128,637 | — | 128,637 | — | — |
| Totals..... | \$ 1,996,019 | \$ 1,303,127 | \$ 475,399 | \$ 51,609 | \$ 165,884 |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a component unit's investments in a single issuer. As of June 30, 2018, the Medical University Hospital Authority has 44.90% of the Authority's investments were in notes issued by the Federal Farm Credit Bank. The Public Service Authority has 88.45% of the US Agencies investments with three issuers. 34.37% of the investments are with the Federal Home Loan Bank, 19.65% are with the Federal National Mortgage Association and 34.43% are with the Federal Farm Credit Bank.

Securities Lending Program

The following securities lending disclosures apply to the State's discretely presented component units. By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

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The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2018. At June 30, 2018, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2018, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2018, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2018, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2018:

| | <u>Amount</u> |
|--|------------------------|
| Securities lent for cash collateral: | |
| U.S. Corporate-fixed income..... | \$ 1,183 |
| Total securities lent for cash collateral..... | <u>\$ 1,183</u> |
| Securities lent for non-cash collateral: | |
| U.S. Corporate-fixed income..... | \$ 39 |
| Total securities lent for non-cash collateral.... | <u>\$ 39</u> |
| Cash collateral invested as follows: | |
| Repurchase agreements..... | \$ 1,202 |
| Total for cash collateral invested..... | <u>\$ 1,202</u> |
| Securities received as collateral: | |
| U.S. treasuries..... | \$ 40 |
| Total for securities collateral invested..... | <u>\$ 40</u> |

At June 30, 2018, the fair value of securities on loan was \$1.183 million. The fair value of the invested cash collateral was \$1.202 million. Securities lending obligations were \$1.202 million.

b. Capital Assets

Capital asset activity (expressed in thousands) for the following State major discretely presented component units was as follows:

| | Beginning Balances January 1, 2017 | Increases | Decreases | Ending Balances December 31, 2017 |
|---|--|-------------------|-----------------------|---|
| Public Service Authority: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 150,256 | \$ 32,546 | \$ (15) | \$ 182,787 |
| Construction in progress..... | 4,292,907 | 949,829 | (4,479,246) | 763,490 |
| <i>Total capital assets not being depreciated....</i> | <u>4,443,163</u> | <u>982,375</u> | <u>(4,479,261)</u> | <u>946,277</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements (utility plant)..... | 7,207,724 | 299,567 | (36,424) | 7,470,867 |
| Vehicles..... | 62,087 | 3,088 | (36) | 65,139 |
| Machinery and equipment..... | 46,019 | 974 | (74) | 46,919 |
| Intangibles..... | 81,464 | 235 | — | 81,699 |
| <i>Total capital assets being depreciated.....</i> | <u>7,397,294</u> | <u>303,864</u> | <u>(36,534)</u> | <u>7,664,624</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements (utility plant)..... | (3,504,509) | (431,495) | 288,610 | (3,647,394) |
| Vehicles..... | (26,996) | (3,521) | 22 | (30,495) |
| Machinery and equipment..... | (22,172) | (4,558) | 46 | (26,684) |
| Intangibles..... | (71,993) | (2,313) | — | (74,306) |
| <i>Total accumulated depreciation.....</i> | <u>(3,625,670)</u> | <u>(441,887)</u> | <u>288,678</u> | <u>(3,778,879)</u> |
| <i>Total capital assets being depreciated, net.....</i> | <u>3,771,624</u> | <u>(138,023)</u> | <u>252,144</u> | <u>3,885,745</u> |
| Public Service Authority, net..... | \$ 8,214,787 | \$ 844,352 | \$ (4,227,117) | \$ 4,832,022 |

| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
|---|---------------------------------------|-------------------|---------------------|-------------------------------------|
| State Ports Authority: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 206,197 | \$ 146,430 | \$ (95) | \$ 352,532 |
| Construction in progress..... | 469,699 | 220,956 | (286,608) | 404,047 |
| Intangibles..... | 2,190 | — | (2,190) | — |
| <i>Total capital assets not being depreciated.....</i> | <u>678,086</u> | <u>367,386</u> | <u>(288,893)</u> | <u>756,579</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements..... | 387,326 | 40,607 | (36) | 427,897 |
| Buildings and improvements..... | 347,312 | 69,124 | (3,215) | 413,221 |
| Machinery and equipment..... | 199,893 | 30,398 | (3,888) | 226,403 |
| Intangibles..... | 876 | 2,190 | (876) | 2,190 |
| <i>Total capital assets being depreciated.....</i> | <u>935,407</u> | <u>142,319</u> | <u>(8,015)</u> | <u>1,069,711</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land improvements..... | (223,359) | (18,145) | 24 | (241,480) |
| Buildings and improvements..... | (222,210) | (10,004) | 2,779 | (229,435) |
| Machinery and equipment..... | (142,231) | (13,374) | 3,887 | (151,718) |
| Intangibles..... | (754) | (219) | 754 | (219) |
| <i>Total accumulated depreciation.....</i> | <u>(588,554)</u> | <u>(41,742)</u> | <u>7,444</u> | <u>(622,852)</u> |
| <i>Total capital assets being depreciated, net.....</i> | <u>346,853</u> | <u>100,577</u> | <u>(571)</u> | <u>446,859</u> |
| State Ports Authority, net..... | \$ 1,024,939 | \$ 467,963 | \$ (289,464) | \$ 1,203,438 |

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| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
|---|---------------------------------------|------------------|--------------------|-------------------------------------|
| Clemson University: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 43,265 | \$ — | \$ (17) | \$ 43,248 |
| Construction in progress..... | 193,607 | 89,344 | (3,255) | 279,696 |
| Total capital assets not being depreciated... | 236,872 | 89,344 | (3,272) | 322,944 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements..... | 1,276,841 | 8,008 | (2,317) | 1,282,532 |
| Vehicles..... | 18,100 | 1,828 | (938) | 18,990 |
| Machinery and equipment..... | 390,801 | 27,284 | (6,638) | 411,447 |
| Intangibles..... | 24,283 | — | — | 24,283 |
| Total capital assets being depreciated | 1,710,025 | 37,120 | (9,893) | 1,737,252 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements..... | (404,759) | (31,398) | 2,317 | (433,840) |
| Vehicles..... | (12,376) | (1,432) | 767 | (13,041) |
| Machinery and equipment..... | (228,664) | (23,004) | 5,850 | (245,818) |
| Intangibles..... | (21,363) | (1,714) | — | (23,077) |
| Total accumulated depreciation..... | (667,162) | (57,548) | 8,934 | (715,776) |
| Total capital assets being depreciated, net..... | 1,042,863 | (20,428) | (959) | 1,021,476 |
| Clemson University, net..... | \$ 1,279,735 | \$ 68,916 | \$ (4,231) | \$ 1,344,420 |
| | | | | |
| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
| Medical University of South Carolina: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 91,381 | \$ 2,876 | \$ (789) | \$ 93,468 |
| Construction in progress..... | 113,153 | 154,714 | (19,668) | 248,199 |
| Works of art and historical treasures..... | 1,632 | 98 | — | 1,730 |
| Total capital assets not being depreciated... | 206,166 | 157,688 | (20,457) | 343,397 |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements..... | 14,429 | — | — | 14,429 |
| Buildings and improvements..... | 1,614,487 | 13,629 | (420) | 1,627,696 |
| Vehicles..... | 6,095 | 805 | (272) | 6,628 |
| Machinery and equipment..... | 416,889 | 34,550 | (19,963) | 431,476 |
| Intangibles..... | 65,360 | 3,799 | — | 69,159 |
| Total capital assets being depreciated | 2,117,260 | 52,783 | (20,655) | 2,149,388 |
| Less accumulated depreciation for: | | | | |
| Land improvements..... | (8,793) | (550) | — | (9,343) |
| Buildings and improvements..... | (811,904) | (65,405) | 2 | (877,307) |
| Vehicles..... | (4,606) | (357) | 255 | (4,708) |
| Machinery and equipment..... | (284,899) | (35,844) | 19,200 | (301,543) |
| Intangibles..... | (43,178) | (10,337) | — | (53,515) |
| Total accumulated depreciation..... | (1,153,380) | (112,493) | 19,457 | (1,246,416) |
| Total capital assets being depreciated, net..... | 963,880 | (59,710) | (1,198) | 902,972 |
| MUSC, net..... | \$ 1,170,046 | \$ 97,978 | \$ (21,655) | \$ 1,246,369 |

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| | Beginning Balances July 1, 2017 (as restated) | Increases | Decreases | Ending Balances June 30, 2018 |
|---|--|-------------------|--------------------|-------------------------------------|
| University of South Carolina: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements..... | \$ 82,275 | \$ 11,770 | \$ — | \$ 94,045 |
| Construction in progress..... | 74,716 | 77,039 | (55,753) | 96,002 |
| Works of art and historical treasures..... | 37,280 | 3,031 | (8) | 40,303 |
| Total capital assets not being depreciated... | 194,271 | 91,840 | (55,761) | 230,350 |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements..... | 110,421 | 57 | — | 110,478 |
| Buildings and improvements..... | 1,722,466 | 62,188 | (22) | 1,784,632 |
| Vehicles..... | 18,801 | 1,345 | (1,826) | 18,320 |
| Machinery and equipment..... | 210,719 | 18,192 | (23,347) | 205,564 |
| Intangibles..... | 63,772 | 1,323 | (7,435) | 57,660 |
| Total capital assets being depreciated | 2,126,179 | 83,105 | (32,630) | 2,176,654 |
| Less accumulated depreciation for: | | | | |
| Land improvements..... | (40,041) | (4,170) | — | (44,211) |
| Buildings and improvements..... | (715,275) | (43,184) | 81 | (758,378) |
| Vehicles..... | (12,800) | (1,043) | 1,504 | (12,339) |
| Machinery and equipment..... | (159,960) | (13,280) | 21,357 | (151,883) |
| Intangibles..... | (26,334) | (7,435) | 3,607 | (30,162) |
| Total accumulated depreciation..... | (954,410) | (69,112) | 26,549 | (996,973) |
| Total capital assets being depreciated, net..... | 1,171,769 | 13,993 | (6,081) | 1,179,681 |
| USC, net..... | \$ 1,366,040 | \$ 105,833 | \$ (61,842) | \$ 1,410,031 |
| | | | | |
| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
| Lottery Commission: | | | | |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements..... | \$ 1,316 | \$ — | \$ — | \$ 1,316 |
| Vehicles..... | 375 | 36 | — | 411 |
| Machinery and equipment..... | 3,249 | 79 | — | 3,328 |
| Intangibles..... | 556 | — | — | 556 |
| Total capital assets being depreciated | 5,496 | 115 | — | 5,611 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements..... | (1,301) | — | — | (1,301) |
| Vehicles..... | (156) | (56) | — | (212) |
| Machinery and equipment..... | (3,053) | (142) | — | (3,195) |
| Intangibles..... | (352) | (77) | — | (429) |
| Total accumulated depreciation..... | (4,862) | (275) | — | (5,137) |
| Total capital assets being depreciated, net..... | 634 | (160) | — | 474 |
| Lottery Commission, net..... | \$ 634 | \$ (160) | \$ — | \$ 474 |

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| | Beginning Balances July 1, 2017 | Increases | Decreases | Ending Balances June 30, 2018 |
|---|---------------------------------------|---------------|-------------|-------------------------------------|
| Housing Authority: | | | | |
| <i>Capital assets being depreciated:</i> | | | | |
| Machinery and equipment..... | \$ 1,840 | 257 | — | \$ 2,097 |
| Total capital assets being depreciated | 1,840 | 257 | — | 2,097 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment..... | (1,676) | (73) | — | (1,749) |
| Total accumulated depreciation..... | (1,676) | (73) | — | (1,749) |
| <i>Total capital assets being depreciated, net.....</i> | 164 | 184 | — | 348 |
| Housing Authority, net..... | \$ 164 | \$ 184 | \$ — | \$ 348 |

During the fiscal year ended June 30, 2018, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

| | Depreciation Expense |
|-------------------------------|---------------------------------|
| Public Service Authority..... | \$ 441,887 |
| State Ports Authority..... | 41,742 |
| MUSC..... | 112,493 |
| USC..... | 69,112 |
| Clemson University..... | 57,548 |
| Lottery Commission..... | 275 |
| Housing Authority..... | 73 |

Outstanding construction commitments (expressed in thousands) for the State's major discretely presented component units was as follows:

| | Outstanding Construction Commitments |
|-------------------------------|---|
| Public Service Authority..... | \$ 361,351 |
| State Ports Authority..... | 145,600 |
| MUSC..... | 6,644 |
| USC..... | 41,496 |
| Clemson University..... | 68,269 |

Interest costs included as part of the cost of capital assets under construction (expressed in thousands) for the State's major discretely presented component units was as follows:

| | Capitalized Interest Costs |
|----------------------------|---------------------------------------|
| State Ports Authority..... | \$ 21,525 |
| USC..... | 6,558 |
| Clemson University..... | 12,157 |

c. Insurance Activities

Medical Malpractice Liability Insurance Joint Underwriting Association

The South Carolina Medical Malpractice Liability Insurance Joint Underwriting Association (JUA) was created by State law. The JUA is a nonmajor discretely presented component unit of the State and the State accounts for the JUA as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the JUA follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to \$200 thousand per incident or \$600 thousand in the aggregate for one year.

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Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the JUA includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the JUA during the past two years were as follows (expressed in thousands):

| Fiscal Year Ended December 31 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2017 | \$ 66,565 | \$ 6,589 | \$ (13,908) | \$ 59,246 |
| 2016 | 70,841 | 8,253 | (12,529) | 66,565 |

Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2017. Policies are subject to deductibles ranging from \$500 to \$2.000 million, with the exception of named storm losses which carry deductibles from \$2.000 million up to \$5.000 million. Also a \$1.400 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2017, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of \$2.000 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2017. There have been no third-party claims for environmental damages for 2017.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at \$13.400 billion by the Price-Anderson Indemnification Act. The \$13.400 billion would be covered by nuclear liability insurance of \$450.000 million per reactor unit, with potential retrospective assessments of up to \$127.300 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$18.900 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of \$42.400 million, not to exceed approximately \$6.300 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), \$1.500 billion primary and \$1.250 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately \$7.000 million for the primary policy, \$3.300 million for the excess policy and \$1.800 million for the accidental outage policy.

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The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2017.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. The State reports the Authority's claims expenses and liabilities when it is probable that a loss has occurred and the amount of the loss is reasonably estimable.

Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

| Fiscal Year Ended December 31 | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--|---|---|---------------------------|---|
| 2017 | \$ 2,019 | \$ 2,572 | \$ (2,911) | \$ 1,680 |
| 2016 | 1,479 | 2,625 | (2,085) | 2,019 |

d. Leases

Capital Leases

The State's discretely presented component units lease land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2018 for the State's discretely presented component units were as follows (expressed in thousands):

| Fiscal Year Ending June 30 | Clemson University | MUSC | USC |
|--|-------------------------------|------------------|---------------|
| 2019 | \$ 765 | \$ 5,235 | \$ 311 |
| 2020 | 765 | 3,372 | 174 |
| 2021 | 760 | 2,121 | 135 |
| 2022 | 757 | 1,524 | 125 |
| 2023 | 664 | 1,383 | 87 |
| 2024-2028 | 2,872 | 1,379 | — |
| 2029-2033 | 2,872 | — | — |
| 2034-2038 | 2,701 | — | — |
| Total minimum payments..... | 12,156 | 15,014 | 832 |
| Less: interest and executory costs.... | (165) | (1,182) | (88) |
| Net minimum payments..... | \$ 11,991 | \$ 13,832 | \$ 744 |

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2018, were as follows (expressed in thousands):

| Assets Acquired Under Capital Leases | Clemson University | MUSC | USC |
|--|-------------------------------|------------------|-----------------|
| Land and non-depreciable improvements..... | \$ — | \$ — | \$ 245 |
| Buildings and improvements..... | 14,300 | — | 394 |
| Machinery and equipment..... | 776 | 24,500 | 947 |
| Assets acquired under capital leases before accumulated amortization..... | 15,076 | 24,500 | 1,586 |
| Less: accumulated amortization..... | (2,962) | (9,185) | (458) |
| Assets acquired under capital leases, net..... | \$ 12,114 | \$ 15,315 | \$ 1,128 |

Operating Leases

The State Ports Authority had minimum rental payments under operating leases with terms of less than twelve months which totaled \$2.158 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled \$334 thousand. The Lottery Commission had minimum rental payments under operating leases for the fiscal year which totaled \$615 thousand. For Clemson University, minimum rental payments under operating

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leases for the fiscal year totaled \$129 thousand. MUSC had minimum rental payments under operating leases for the fiscal year which totaled \$9.808 million. USC had minimum rental payments under operating leases for the fiscal year which totaled \$12.095 million.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

| | | Public Service | | | |
|---------------------------------------|--|-----------------------|--|--|--|
| | | Authority | | | |
| Fiscal Year Ending December 31 | | | | | |
| 2018 | | \$ 600 | | | |
| 2019 | | 600 | | | |
| Net minimum payments..... | | \$ 1,200 | | | |

| Fiscal Year Ending June 30 | Housing Authority | Clemson University | MUSC | USC | Lottery Commission |
|-----------------------------------|------------------------------|-------------------------------|------------------|------------------|-------------------------------|
| 2019 | \$ 343 | \$ 3,697 | \$ 16,879 | \$ 8,368 | \$ 560 |
| 2020 | 352 | 2,868 | 13,655 | 6,388 | 571 |
| 2021 | 360 | 2,470 | 10,534 | 2,425 | 582 |
| 2022 | 369 | 1,077 | 6,723 | 2,351 | 593 |
| 2023 | 378 | 815 | 3,430 | 2,164 | 605 |
| 2024-2028 | 127 | 562 | 5,379 | 9,282 | 616 |
| 2029-2033 | — | — | 631 | 6,537 | — |
| 2034-2038 | — | — | — | 7,217 | — |
| Thereafter | — | — | — | 1,531 | — |
| Net minimum payments..... | \$ 1,929 | \$ 11,489 | \$ 57,231 | \$ 46,263 | \$ 3,527 |

Facilities and Equipment Leased to Others

At June 30, 2018, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately \$39.298 million and related accumulated depreciation of \$28.470 million. Also, at June 30, 2018, MUSC had leased to non-State parties certain land and facilities having a cost of approximately \$1.371 million and related accumulated depreciation of \$884 thousand. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

| | | State Ports | |
|-----------------------------------|--|--------------------|---------------|
| | | Authority | |
| Fiscal Year Ending June 30 | | MUSC | |
| 2019 | | \$ 3,310 | \$ 147 |
| 2020 | | 2,895 | 109 |
| 2021 | | 2,856 | 65 |
| 2022 | | 1,243 | — |
| 2023 | | 994 | — |
| 2024-2028 | | 5,030 | — |
| 2029-2033 | | 5,339 | — |
| 2034-2038 | | 5,356 | — |
| 2039-2043 | | 5,912 | — |
| Thereafter | | 4,730 | — |
| Total..... | | \$ 37,665 | \$ 321 |

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e. Bonds and Notes Payable

General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

| | |
|--|------------|
| Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2037..... | \$ 236,737 |
| University of South Carolina institution bonds, 2.00% to 5.00%, maturing serially through 2037..... | 166,955 |
| Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036..... | 46,293 |

As of the last reporting date of the component units, future debt service requirements for general obligation bonds of the State's major discretely presented component units were as follows (expressed in thousands):

| Year Ending June 30 | Clemson University | | Medical University of South Carolina | |
|---|--------------------|------------------|--------------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 9,415 | \$ 8,566 | \$ 4,090 | \$ 1,881 |
| 2020 | 10,035 | 8,106 | 4,245 | 1,677 |
| 2021 | 10,265 | 7,616 | 2,485 | 1,464 |
| 2022 | 10,580 | 7,134 | 2,610 | 1,340 |
| 2023 | 11,110 | 6,605 | 2,725 | 1,210 |
| 2024-2028 | 64,320 | 24,256 | 11,840 | 4,343 |
| 2029-2033 | 64,950 | 10,837 | 10,785 | 1,726 |
| 2034-2037 | 32,705 | 2,193 | 4,650 | 282 |
| Total debt service requirements..... | 213,380 | \$ 75,313 | 43,430 | \$ 13,923 |
| Unamortized premiums..... | 23,357 | | 2,863 | |
| Total principal outstanding..... | \$ 236,737 | | \$ 46,293 | |

| Year Ending June 30 | University of South Carolina | |
|---|------------------------------|------------------|
| | Principal | Interest |
| 2019 | \$ 11,390 | \$ 7,179 |
| 2020 | 11,940 | 6,615 |
| 2021 | 12,405 | 6,120 |
| 2022 | 13,010 | 5,504 |
| 2023 | 11,235 | 4,858 |
| 2024-2028 | 48,365 | 16,579 |
| 2029-2033 | 39,285 | 6,912 |
| 2034-2037 | 19,325 | 1,225 |
| Total debt service requirements..... | \$ 166,955 | \$ 54,992 |

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90% of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds of \$559.090 million were outstanding at June 30, 2018.

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Revenue and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue and other bonds and notes outstanding at June 30, 2018 and December 31, 2017 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

| | <u>Bonds</u> | <u>Notes</u> |
|--|--------------|--------------|
| Major Discretely Presented Component Units: | | |
| Public Service Authority bonds, 1.30% to 6.54%, maturing serially through 2056..... | \$ 7,945,688 | \$ — |
| Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046..... | 444,354 | — |
| University of South Carolina bonds and notes, 1.00% to 5.00%, maturing serially through 2047..... | 500,674 | 4,000 |
| Medical University of South Carolina bonds and notes, 2.25% to 5.29%, maturing serially through 2037..... | 610,698 | 22,860 |
| State Ports Authority bonds and notes, 2.06% to 5.25%, maturing serially through 2056..... | 678,612 | 161,658 |
| State Housing Authority bonds, 0.85% to 5.50%, maturing serially through 2048..... | 422,018 | — |

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 3.01% plus 24.00% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2018 is \$62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.00% of the one-month LIBOR rate. The variable rate in effect at June 30, 2018 was 1.37%. The fair value of this swap, estimated using the zero-coupon method, was negative \$1.220 million as of June 30, 2018. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2017 of \$2.481 million is recognized as investment income in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.57%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2018 was \$2.212 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2018 was 3.30%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative \$3 thousand as of June 30, 2018. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2017 of \$57 thousand is recognized as investment income in these financial statements.

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As of June 30, 2018, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

| Year Ending June 30 | Variable Rate Debt | | Interest Rate | Totals |
|------------------------|--------------------|------------------|-----------------|------------------|
| | Principal | Interest | Swaps, Net | |
| 2019 | \$ 1,700 | \$ 1,414 | \$ 440 | \$ 3,554 |
| 2020 | 3,500 | 1,332 | 415 | 5,247 |
| 2021 | 2,925 | 1,263 | 393 | 4,581 |
| 2022 | 2,525 | 1,204 | 375 | 4,104 |
| 2023 | 2,600 | 1,143 | 356 | 4,099 |
| 2024-2028 | 14,105 | 4,746 | 1,477 | 20,328 |
| 2029-2033 | 16,170 | 2,952 | 919 | 20,041 |
| 2034-2038 | 18,560 | 893 | 278 | 19,731 |
| Totals..... | \$ 62,085 | \$ 14,947 | \$ 4,653 | \$ 81,685 |

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.00% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2018 were \$40.845 million and \$17.505 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is \$58.350 million at June 30, 2018.

As of June 30, 2018, the swaps had a negative fair value of approximately \$552.000 million. The unrealized loss related to these agreements recorded at June 30, 2018 is \$337.000 million and is included in interest expense on the Statement of Activities.

Debt Service Requirements

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, the State Ports Authority, and the State Housing Authority ends June 30. At December 31, 2017, the carrying value of the Public Service Authority's debt was \$7.466 billion while the fair value was approximately \$8.400 billion. At June 30, 2018, the carrying value of the State Ports Authority debt was \$780.683 million while the fair value was approximately \$619.000 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

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As of the last reporting date of the component units, future debt service requirements for bonds and notes of the State's major discretely presented component units were as follows (expressed in thousands):

| Year Ending December 31 | Public Service Authority | |
|---|--------------------------|---------------------|
| | Principal | Interest |
| 2018 | \$ 48,546 | \$ 362,493 |
| 2019 | 213,324 | 359,257 |
| 2020 | 194,071 | 351,183 |
| 2021 | 228,954 | 342,676 |
| 2022 | 133,954 | 332,183 |
| 2023-2027 | 1,010,851 | 1,545,488 |
| 2028-2032 | 770,493 | 1,377,024 |
| 2033-2037 | 1,008,244 | 1,174,824 |
| 2038-2042 | 872,544 | 944,838 |
| 2043-2047 | 1,241,648 | 677,645 |
| 2048-2052 | 1,198,735 | 339,926 |
| 2053-2057 | 593,150 | 59,011 |
| Total debt service requirements..... | 7,514,514 | \$ 7,866,548 |
| Unamortized discounts and premiums... | 431,174 | |
| Total principal outstanding..... | \$ 7,945,688 | |

| Year Ending June 30 | State Ports Authority | | State Housing Authority | |
|---|-----------------------|-------------------|-------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 3,677 | \$ 28,342 | \$ 12,520 | \$ 13,825 |
| 2020 | 11,763 | 34,929 | 64,165 | 12,179 |
| 2021 | 12,238 | 34,433 | 15,635 | 11,694 |
| 2022 | 12,747 | 33,917 | 16,160 | 11,169 |
| 2023 | 30,948 | 33,146 | 16,770 | 10,601 |
| 2024-2028 | 79,575 | 155,839 | 76,965 | 43,843 |
| 2029-2033 | 92,988 | 139,502 | 73,550 | 30,916 |
| 2034-2038 | 102,334 | 117,208 | 65,360 | 17,670 |
| 2039-2043 | 85,991 | 97,605 | 54,210 | 7,490 |
| 2044-2048 | 107,910 | 74,502 | 14,885 | 1,392 |
| 2049-2053 | 138,870 | 43,545 | — | — |
| 2054-2057 | 101,642 | 7,803 | — | — |
| Total debt service requirements..... | 780,683 | \$ 800,771 | 410,220 | \$ 160,779 |
| Unamortized premiums and discounts. | 59,587 | | 11,798 | |
| Total principal outstanding..... | \$ 840,270 | | \$ 422,018 | |

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| Year Ending June 30 | Clemson University | | University of South Carolina | |
|---|--------------------|-------------------|------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 10,750 | \$ 16,983 | \$ 18,990 | \$ 23,673 |
| 2020 | 11,245 | 16,486 | 15,700 | 22,760 |
| 2021 | 11,040 | 15,957 | 15,840 | 20,908 |
| 2022 | 11,675 | 15,447 | 16,625 | 20,036 |
| 2023 | 12,210 | 14,945 | 17,435 | 19,120 |
| 2024-2028 | 62,255 | 65,778 | 94,385 | 80,499 |
| 2029-2033 | 67,005 | 52,159 | 102,570 | 54,272 |
| 2034-2038 | 79,810 | 39,351 | 89,030 | 27,530 |
| 2039-2043 | 96,280 | 22,887 | 40,545 | 7,835 |
| 2044-2047 | 56,680 | 4,135 | 13,620 | 1,211 |
| Total debt service requirements | \$ 418,950 | \$ 264,128 | \$ 424,740 | \$ 277,844 |
| Unamortized discounts and premiums | 25,404 | | 79,934 | |
| Total principal outstanding..... | \$ 444,354 | | \$ 504,674 | |

| Year Ending June 30 | Medical University of South Carolina | |
|---|--------------------------------------|-------------------|
| | Principal | Interest |
| 2019 | \$ 30,178 | \$ 14,636 |
| 2020 | 37,851 | 23,686 |
| 2021 | 38,623 | 23,409 |
| 2022 | 39,390 | 22,149 |
| 2023 | 40,205 | 20,843 |
| 2024-2028 | 214,588 | 84,147 |
| 2029-2033 | 206,547 | 50,384 |
| 2034-2038 | 24,299 | 4,269 |
| Total debt service requirements | \$ 631,681 | \$ 243,523 |
| Unamortized discounts and premiums | 1,877 | |
| Total principal outstanding..... | \$ 633,558 | |

Bond Anticipation Notes

At June 30, 2018, all short-term general obligation bond anticipation notes that were outstanding at the prior fiscal year's end at MUSC were fully defeased.

Defeased Bonds

During August 2017, Clemson University issued \$120.885 million in Series 2017A State Institution Bonds, with an aggregate all-in true interest cost of 2.46%. Of the \$120.885 million issued, \$45.880 million was used for refunding. The net proceeds after payment of \$242 thousand in issuance costs were used to refund \$48.540 million of the 2011 Series B State Institution Bonds with an average interest rate of 4.80%. The refunding transaction resulted in an aggregate debt payment reduction of \$5.383 million over the next thirteen years and an economic gain of \$5.383 million.

At December 31, 2017, \$732.325 million of bonds associated with the Public Service Authority were considered defeased.

Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Housing Authority issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2018, the outstanding balance of bonds issued was \$258.417 million.

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The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2018, the outstanding balance of bonds issued after June 30, 1995, was \$3.682 billion. The original amount of bonds issued prior to that date is not available.

Commercial Paper Notes and Lines of Credit

The Public Service Authority and the University of South Carolina present their outstanding amounts as commercial paper notes and line of credit, respectively, but all other amounts outstanding on lines of credit at June 30, 2018 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a \$144.484 million liability for commercial paper notes at its fiscal year ended December 31, 2017. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an \$750.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2017.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of \$10.000 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 0.75% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2018, there were no advances under this line of credit. The line of credit expired during June 2018 and was renewed with essentially the same terms through June 22, 2019.

The University of South Carolina Educational Foundation, a discretely presented component unit of USC, has a line of credit with a maximum borrowing limit of \$20.000 million, on which it could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.20%. As of June 30, 2018, the University of South Carolina Educational Foundation has an outstanding balance of \$5.933 million on this line of credit. Interest only payments on this line of credit were due beginning in August 2015 and the entire principal balance and any outstanding interest are due in June 2019.

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f. Changes in Liabilities

| | Balances at January 1, 2017 | Increases | Decreases | Balances at December 31, 2017 | Amounts Due Within One Year |
|---|--------------------------------|------------|--------------|----------------------------------|-----------------------------------|
| Public Service Authority | | | | | |
| Policy claims..... | \$ 2,019 | \$ 2,572 | \$ (2,911) | \$ 1,680 | \$ 1,680 |
| Revenue bonds payable..... | 7,795,552 | 104,624 | (385,662) | 7,514,514 | 48,546 |
| Unamortized discounts and premiums..... | 473,419 | — | (42,245) | 431,174 | — |
| Total revenue bonds payable..... | 8,268,971 | 104,624 | (427,907) | 7,945,688 | 48,546 |
| Compensated absences payable..... | 21,900 | 1,652 | (2,380) | 21,172 | — |
| Net pension liability..... | 324,956 | 13,827 | — | 338,783 | — |
| Total long-term liabilities..... | \$ 8,617,846 | \$ 122,675 | \$ (433,198) | \$ 8,307,323 | \$ 50,226 |

| | Balances at July 1, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|------------|--------------|------------------------------|-----------------------------------|
| State Ports Authority | | | | | |
| Notes payable..... | \$ 84,808 | \$ 80,012 | \$ (3,162) | \$ 161,658 | \$ 3,677 |
| Revenue bonds payable..... | 444,215 | 325,000 | (150,190) | 619,025 | — |
| Unamortized discounts and premiums..... | 21,517 | 40,158 | (2,088) | 59,587 | — |
| Total revenue bonds payable..... | 465,732 | 365,158 | (152,278) | 678,612 | — |
| Compensated absences payable..... | 2,878 | 41 | (352) | 2,567 | 2,567 |
| Net pension liability..... | 79,665 | 18,914 | — | 98,579 | — |
| Net OPEB liability..... | 54,954 | — | (2,047) | 52,907 | — |
| Total long-term liabilities..... | \$ 688,037 | \$ 464,125 | \$ (157,839) | \$ 994,323 | \$ 6,244 |

| | Balances at July 1, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|-----------|-------------|------------------------------|-----------------------------------|
| Housing Authority | | | | | |
| Revenue bonds payable..... | \$ 415,900 | \$ 55,000 | \$ (60,680) | \$ 410,220 | \$ 12,520 |
| Unamortized discounts and premiums..... | 10,886 | 2,152 | (1,240) | 11,798 | — |
| Total revenue bonds payable..... | 426,786 | 57,152 | (61,920) | 422,018 | 12,520 |
| Compensated absences payable..... | 798 | 507 | (594) | 711 | 594 |
| Net pension liability..... | 14,431 | 1,529 | — | 15,960 | — |
| Net OPEB liability..... | 12,247 | — | (380) | 11,867 | — |
| Total long-term liabilities..... | \$ 454,262 | \$ 59,188 | \$ (62,894) | \$ 450,556 | \$ 13,114 |

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| | Balances at July 1, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|------------|--------------|------------------------------|-----------------------------------|
| Clemson University | | | | | |
| General obligation bonds payable..... | \$ 150,350 | \$ 120,885 | \$ (57,855) | \$ 213,380 | \$ 9,415 |
| Unamortized discounts and premiums..... | 9,813 | 17,189 | (3,645) | 23,357 | — |
| Total general obligation bonds payable..... | 160,163 | 138,074 | (61,500) | 236,737 | 9,415 |
| Revenue bonds payable..... | 419,810 | 11,300 | (12,160) | 418,950 | 10,750 |
| Unamortized discounts and premiums..... | 26,284 | 438 | (1,318) | 25,404 | — |
| Total revenue bonds..... | 446,094 | 11,738 | (13,478) | 444,354 | 10,750 |
| Capital leases payable..... | 11,989 | 776 | (774) | 11,991 | 716 |
| Compensated absences payable..... | 25,571 | 12,626 | (12,068) | 26,129 | 13,946 |
| Net pension liability..... | 573,169 | 44,103 | — | 617,272 | — |
| Net OPEB liability..... | 595,147 | — | (37,971) | 557,176 | — |
| Total long-term liabilities..... | \$ 1,812,133 | \$ 207,317 | \$ (125,791) | \$ 1,893,659 | \$ 34,827 |
| Medical University of South Carolina | | | | | |
| Notes payable..... | \$ 43,644 | \$ 1,842 | \$ (22,626) | \$ 22,860 | \$ 3,913 |
| General obligation bonds payable..... | 48,050 | — | (4,620) | 43,430 | 4,090 |
| Unamortized discounts and premiums..... | 3,359 | — | (496) | 2,863 | — |
| Total general obligation bonds payable..... | 51,409 | — | (5,116) | 46,293 | 4,090 |
| Revenue bonds payable..... | 512,353 | 118,230 | (21,762) | 608,821 | 26,265 |
| Unamortized discounts and premiums..... | 2,166 | — | (289) | 1,877 | — |
| Total revenue bonds..... | 514,519 | 118,230 | (22,051) | 610,698 | 26,265 |
| Capital leases payable..... | 13,069 | 6,441 | (5,678) | 13,832 | 4,820 |
| Compensated absences payable..... | 31,162 | 22,868 | (22,490) | 31,540 | 19,144 |
| Net pension liability..... | 1,184,113 | 68,073 | — | 1,252,186 | — |
| Net OPEB liability..... | 464,303 | 611,980 | — | 1,076,283 | — |
| Total long-term liabilities..... | \$ 2,302,219 | \$ 829,434 | \$ (77,961) | \$ 3,053,692 | \$ 58,232 |

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| | Balances at July 1, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|-----------------------------------|--|-----------------|-------------------|------------------------------|-----------------------------------|
| Lottery Commission | | | | | |
| Compensated absences payable..... | \$ 771 | \$ 644 | \$ (581) | \$ 834 | \$ 542 |
| Net pension liability..... | 15,031 | 504 | — | 15,535 | — |
| Net OPEB liability..... | 12,516 | — | (799) | 11,717 | — |
| Total long-term liabilities..... | <u>\$ 28,318</u> | <u>\$ 1,148</u> | <u>\$ (1,380)</u> | <u>\$ 28,086</u> | <u>\$ 542</u> |

| | Balances at July 1, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 | Amounts Due Within One Year |
|---|--|-------------------|---------------------|------------------------------|-----------------------------------|
| University of South Carolina | | | | | |
| Notes payable..... | \$ 5,019 | \$ — | \$ (1,019) | \$ 4,000 | \$ 4,000 |
| General obligation bonds payable..... | 138,660 | 39,450 | (11,155) | 166,955 | 11,390 |
| Revenue bonds payable..... | 441,100 | 67,830 | (88,190) | 420,740 | 14,990 |
| Unamortized discounts and premiums..... | 67,286 | 17,754 | (5,106) | 79,934 | — |
| Total revenue bonds..... | <u>508,386</u> | <u>85,584</u> | <u>(93,296)</u> | <u>500,674</u> | <u>14,990</u> |
| Capital leases payable..... | 396 | 561 | (213) | 744 | 276 |
| Compensated absences payable..... | 32,544 | 28,427 | (29,020) | 31,951 | 24,602 |
| Net pension liability..... | 879,746 | 73,399 | — | 953,145 | — |
| Net OPEB liability..... | 917,212 | — | (58,520) | 858,692 | — |
| Total long-term liabilities..... | <u>\$ 2,481,963</u> | <u>\$ 227,421</u> | <u>\$ (193,223)</u> | <u>\$ 2,516,161</u> | <u>\$ 55,258</u> |

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2018 included: a line of credit for USC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

| | Balances at January 1, 2017 | Increases | Decreases | Balances at December 31, 2017 |
|-------------------------------------|---|------------------|--------------------|----------------------------------|
| Public Service Authority | | | | |
| Commercial paper notes..... | <u>\$ 399,899</u> | <u>\$ 53,734</u> | <u>\$(309,149)</u> | <u>\$ 144,484</u> |
| | | | | |
| | Balances at June 30, 2017 (as restated) | Increases | Decreases | Balances at June 30, 2018 |
| University of South Carolina | | | | |
| Line of credit..... | <u>\$ 3,933</u> | <u>\$ 2,000</u> | <u>\$ —</u> | <u>\$ 5,933</u> |

g. Joint Ventures

Joint Ventures

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2017, the trade guarantees are an amount not to exceed approximately \$84.500 million.

Interested parties may obtain a copy of TEA's financial statements by writing to:

The Energy Authority
301 West Bay Street, Suite 2600
Jacksonville, Florida 32202
<http://teainc.org>

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33.33% of the net electricity generated. In 2004, the Nuclear Regulatory Commission (NRC) granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042. Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel; however as of May 2015, the Department of Energy suspended the collection of spent fuel disposal fees. Fuel amortization and disposal fees (through April 2014) are included in fuel expense and recovered through the Authority's rates.

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately \$369.600 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G were constructing two additional nuclear generating units (Summer Units 2 and 3) at the V.C. Summer Nuclear Station. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provided for a 45.00% ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G. On July 31, 2017 the Authority, along with SCE&G, halted the V.C. Summer Units 2 and 3 project. The Authority reclassified the construction in progress related to the Summer Units 2 and 3 to a regulatory asset to be amortized over the remaining life of the revenue bonds related to the halted project.

h. Significant Transactions of Major Component Units with the Primary Government

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled \$17.800 million during the Authority's fiscal year ended December 31, 2017.

State of South Carolina

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of \$45.000 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of \$1.000 million during the fiscal year ended June 30, 2018.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled \$510 thousand and \$29.110 million for the fiscal year ended June 30, 2018.

i. Concentrations of Customer Credit Risk

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority’s receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority’s sales for its fiscal year ended December 31, 2017, as follows (expressed in thousands):

| Customer | Revenue | Revenue |
|---|--------------|---------|
| Central Electric Power Cooperative, Inc | \$ 1,026,000 | 59% |

No other customer accounted for more than 10% of the Authority’s sales.

State Ports Authority

During the fiscal year ended June 30, 2018, of the State Ports Authority’s total revenues, three customers accounted for approximately 15%, 10%, and 10% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

j. Contingencies and Commitments

Litigation – State Ports Authority

In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the U.S. Army Corps of Engineers (The “Corps”), to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the building to accommodate passenger vessels. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. The permit application is under review by the Corps of Engineers on remand. The Ports Authority intends to continue pursuing the federal permit and to continue any legal actions necessary to perfect the final permit.

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. On October 18, 2017, the Court of Appeals issued a unanimous opinion affirming the South Carolina Administrative Law Court. This was appealed to the South Carolina Supreme Court, and the Supreme Court accepted a petition for certiorari on August 21, 2018. Briefing and argument have not been scheduled at this time. The Ports Authority intends to vigorously defend the permits. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

On October 14, 2012, a portion of the quay wall at Veterans’ Terminal (VT) in North Charleston, failed. A claim relating to the quay wall failure and remediation costs has also been asserted by the Ports Authority against the United States Navy for indemnity under Section 330 of the National Defense Authorization Act of 1993 (P.L. 102-484), as amended by P.L. 103-160. The claim is related only to oil pollution left by the United States Navy in an underground pipe near the damaged area, which had not been designated as an area of concern, nor disclosed presence of oil, which should have been cleaned out and removed by the Federal Government. Small amounts of oil were released in an investigatory excavation before being sealed off and recovered. The presence of the oil has caused increased costs of remediation, in an amount which cannot be accurately determined until the contract for remedial work has been completed and costs tallied. Department of Defense is defending the 330 indemnity claim and has sought additional information. Under the indemnity claim, the Federal Government would likely be responsible only for the remediation costs related to the oil, which is excluded from insurance coverage by the Ports Authority’s property insurance policy.

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible party to determine recovery of the additional construction costs caused by design and project

State of South Carolina

management issues and to seek resolution by agreement. The matter has been resolved against one contractor through a settlement agreement, while the litigation continues against the remaining contractor defendant. Remediation work and construction is continuing.

In October 2002, the Ports Authority and the City of North Charleston (City) entered into a Memorandum of Understanding (MOU) related to certain issues concerning the development of the Hugh K. Leatherman, Sr. Terminal located at the former Charleston Navy Base Facility. One requirement of the MOU is for the City and the Ports Authority to approach the South Carolina General Assembly for the funding of certain infrastructure which is desired by the City. The City has communicated to the Ports Authority that it believes this infrastructure is required prior to the opening of the terminal. While the Authority disagrees with the City on this point, it plans to fully comply with all applicable terms of the MOU. At this time, no measurable impact of the City's position can reasonably be made.

Other Loan Guarantees – South Carolina Education Assistance Authority

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. As a result of the Health Care and Education Reconciliation Act of 2010 and subsequent actions taken by the federal government which nationalized the federally-guaranteed student loan program, continuing guarantor operations under the guaranty agreement between the Authority and the USDE would result in an economic loss to the Authority. Therefore on June 22, 2016, the State Fiscal Accountability Authority delegated to the South Carolina Student Loan Corporation (SLC) the authority to communicate with the United States Department of Education (USDE) at the appropriate time to terminate the guaranty agreements, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the South Carolina State Treasurer all necessary documents required to affect such termination. SLC notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement. On July 21, 2016, SLC received formal notice from the USDE naming Educational Credit Management Corporation (ECMC) as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. Effective December 1, 2016, the Authority transferred to ECMC and ECMC accepted the transfer of all of the Authority's outstanding guarantees and its post-claim portfolio. In addition, the Authority and ECMC agreed to a sixty-month period beginning December 1, 2016 through December 1, 2021, during which the Authority will reimburse ECMC up to \$737 thousand of the Default Aversion Fee previously earned from USDE which must be rebated to the USDE due to claims filed by the eligible lender during this sixty-month period. The quarterly billing of these rebates will be paid from the Agency Operating Fund. As of March 31, 2018, the Authority had been invoiced and paid the entirety of the \$737 thousand reimbursement to ECMC. The State's default rate for the period ended September 30, 2017, was 2.0%.

Purchase Commitments – Public Service Authority

At December 31, 2017, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$202.125 million for coal. In addition, minimum obligations under a purchased power contract as of December 31, 2017, were approximately \$46.800 million with a remaining term of eighteen years. Also at December 31, 2017, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of \$152.800 million over the next sixteen years.

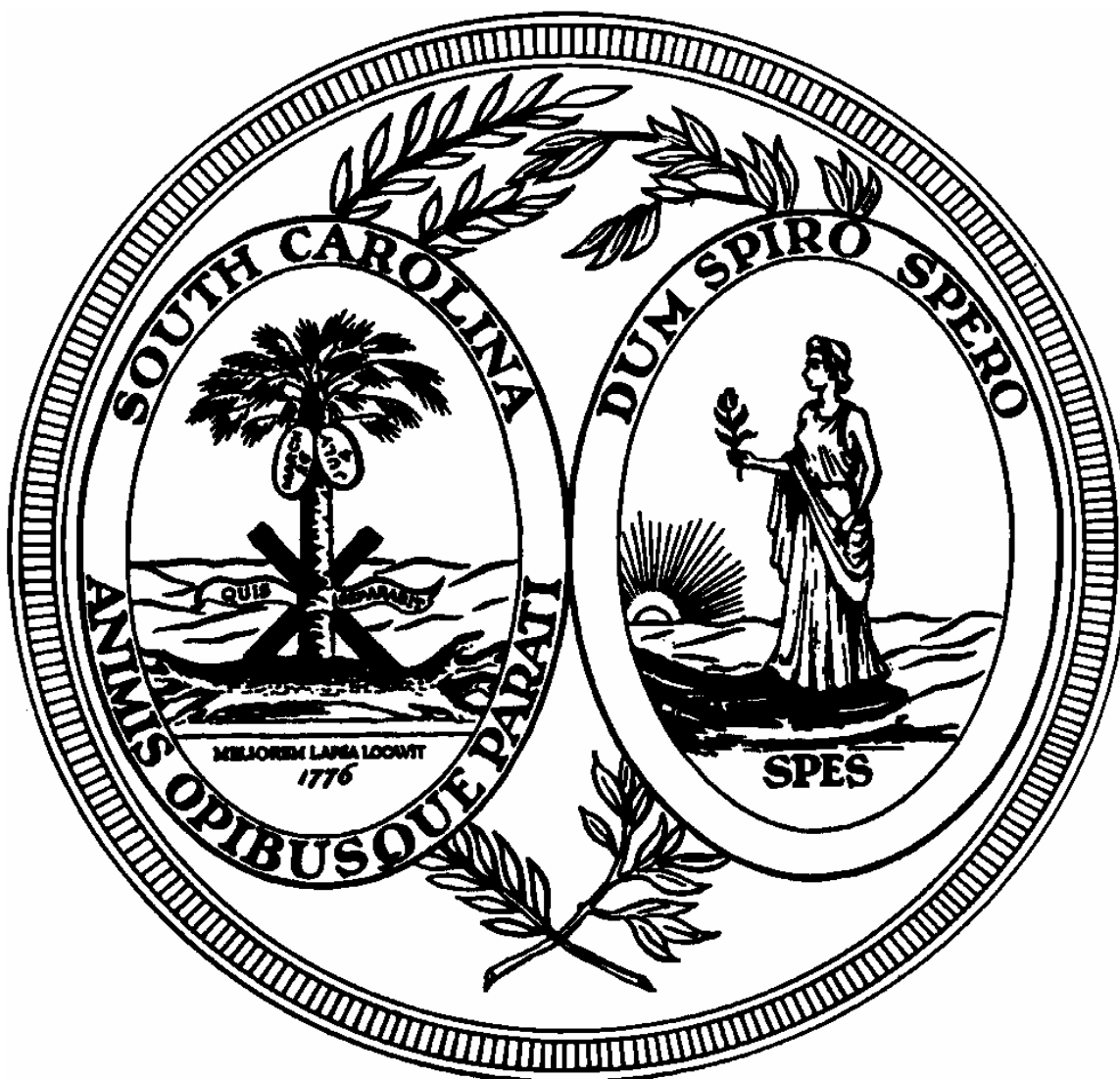
The Authority amended a service agreement to an approximate amount of \$97.200 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2018.

Purchase Commitments – Ports Authority

At June 30, 2018, the Ports Authority had construction commitments of approximately \$145.600 million and non-construction commitments for property, plant and equipment of approximately \$3.200 million. The Ports Authority recorded a liability of approximately \$4.100 million equal to the final project costs on the 52 foot Charleston Harbor deepening project.

Commitments to Provide Grants and Other Financial Assistance – The State Housing Finance and Development Authority

The State Housing Finance and Development Authority, a major discretely presented component unit, had commitments of \$7.752 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2018.



NOTE 20: SUBSEQUENT EVENTS

a. Debt Issuances

Subsequent to the fiscal year end, the State of South Carolina issued the following debt:

- The Medical University of South Carolina, a major discretely presented component unit, issued private placement hospital authority revenue bonds, Series 2018A, in the amount of \$36.454 million on October 15, 2018.
- As part of proviso 112.2 (Ports Authority Loan) of the State's FY 2019 General Appropriations Bill, the State authorized a loan of up to \$50.000 million to the Ports Authority, a major discretely presented component unit, for its Harbor Deepening Project. However, to date, no loan funds have been issued by the State to the Ports Authority.
- On August 14, 2018, the Housing Authority, a major discretely presented component unit, issued \$70.000 million in mortgage revenue bonds, Series 2018A.
- On September 13, 2018, the Public Service Authority, a major discretely presented component unit, defeased \$346.235 million in bonds for the following bond issuances: \$48.475 million for 2009 Tax-Exempt Refunding Series A, \$37.305 million for 2010 Refunding Series B, \$81.510 million for 2011 Refunding Series B, \$8.015 million for 2012 Refunding Series A, \$7.510 million for 2012 Refunding Series C, \$6.325 million for 2012 Tax-Exempt Series D, \$100.00 million for 2013 Tax-Exempt Series A, \$7.920 million for 2014 Tax-Exempt Refunding Series C, \$5.485 million for 2015 Tax-Exempt Refunding & Improvement Series A, and \$43.690 million for 2015 Tax-Exempt Refunding Series C.

b. South Carolina State University Loans

On January 31, 2014, South Carolina State University, a non-major discretely presented component unit, notified the State that revenue collections had not met revenue estimates because student enrollment has lagged behind university projections. As a result, the University requested \$13 million to pay current bills, and the former State Budget and Control Board, currently known as State Fiscal Accountability Authority, approved and the General Assembly committed an emergency \$6.000 million loan to the University on April 30, 2014. The \$6.000 million loan also has a stipulation that up to \$500 thousand of the \$6.000 million must be used to hire consultants to assess the University's financial needs and operations. The loan was due in full on June 30, 2015, although the University received a four-year extension on December 3, 2014. In fiscal year 2015, a Blue Ribbon Committee, appointed by the South Carolina State Legislature, awarded the University a \$12.000 million loan to be provided to the University over three years in annual installments of \$6.000 million, \$4.000 million and \$2.000 million, in fiscal 2015, 2016 and 2017, respectively. The South Carolina State Legislature passed a Joint Resolution, 2016 Act 286 (S. 1166) that provided for forgiveness of the Blue Ribbon Committee's 6-4-2 Loan over a period of three years effective fiscal year 2017. \$8.000 million and \$2.000 million of the loan was forgiven in fiscal years 2017 and 2018, respectively, and \$2.000 million will be forgiven as well in fiscal year 2019.

c. Natural Disasters

During early October 2015, South Carolina received prolonged torrential rains spawned by Hurricane Joaquin that produced catastrophic statewide flooding. The extent and severity of flooding was extensive causing damage to roads and bridges and to private property, polluted water systems, compromised dams, and power outages. The recovery from this storm remains primarily related to roads, bridges and other transportation infrastructure. Total damages on the State Highway System are estimated to be \$137 million and many costs are eligible for federal assistance from Federal Highway Administration and Federal Emergency Management. The estimated State portion of damages is expected to be \$49 million. During the 2015-2016 Legislative Session, funding in the amount of \$49 million was provided to the Department of Transportation to assist in the recovery and repair process and provide required federal assistance matching funds. The Department of Transportation has incurred costs through June 30, 2018 of \$115.7 million of which \$73.4 million has been received in federal assistance. Additional federal assistance is expected up to \$13.1 million and will be based upon total costs and their federal assistance eligibility.

During October 2016, South Carolina received another devastating storm, Hurricane Matthew, which caused significant damage to state parks, roads, electrical infrastructure and other property. On October 4, 2016 the Governor issued an executive order declaring a state of emergency for the State of South Carolina. On or about October 7, 2016 the President declared the State of South Carolina a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery. This storm carried heavy rains which caused flooding and high winds resulting in down trees and debris. Again, the primary impact of this storm was with roads, bridges and infrastructure. The Department of Transportation, a governmental fund, conducted thorough inspections of all bridges and roads and began recovery of the State Highway System. Total damages on the State Highway System are estimated to be \$100.1 million and many costs are eligible for federal assistance from Federal Highway

State of South Carolina

Administration and Federal Emergency Management. The estimated State portion of damages is expected to be \$30.4 million. The Department has incurred costs through June 30, 2018 of \$60.4 million of which \$49.6 million has been received in federal assistance.

During September 2017, South Carolina experienced inclement weather as Hurricane Irma impacted the southern United States. This event caused wind, surge damage and flooding along the coast. The Department of Transportation, a governmental fund, incurred costs through June 30, 2018 of \$5.3 million of which \$.4 million has been received in federal assistance. Approved federal assistance of \$1.6 million has been accrued at June 30, 2018.

During September 2018, South Carolina was impacted by Hurricane Florence, which brought 10 to 18 inches of rain in areas saturating the ground and flooding the rivers. The State of South Carolina is actively responding to widespread flooding across the Northeast portion of the state. Again, the infrastructure within this area of the state has taken a major hit with the unprecedented flooding of many rivers. The State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available. Public Service Authority, a major discretely presented component unit, was also impacted by Hurricane Florence at the Grainger ash pond site near the Waccamaw River. The mitigation-related costs are estimated at \$10.500 million before FEMA reimbursement.

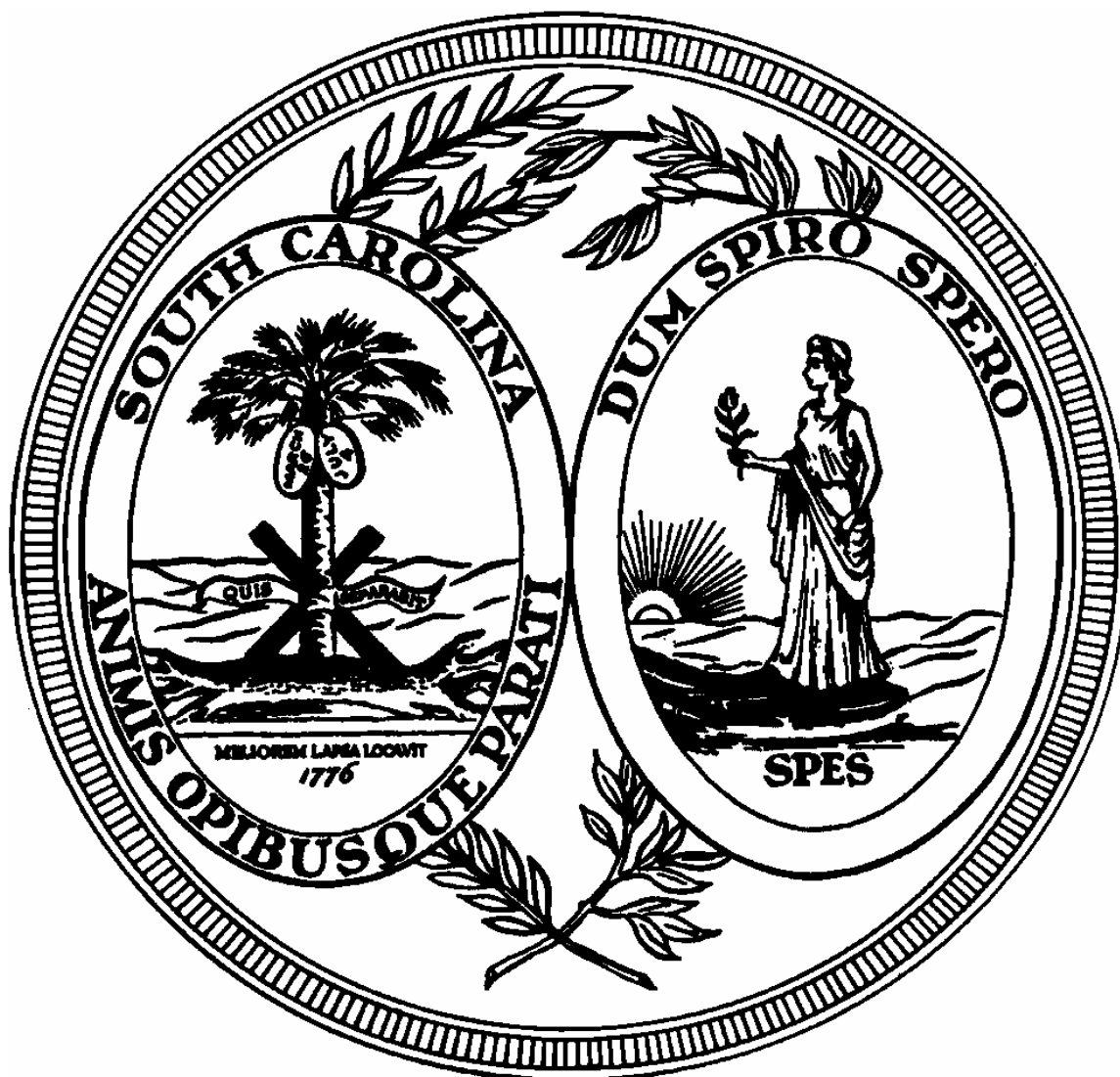
On October 12, 2018, Hurricane Matthew made its way through South Carolina as a Tropical Storm, bringing with it heavy rains and winds in the central area of South Carolina. This resulted in some flooding, power outages and property damage. Again, the State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available.

d. Public Service Authority Ceases the Joint Construction Project (V.C. Summer Units 2 and 3)

On July 31, 2017, the Public Service Authority (the Authority) and SCE&G (the Authority's project partner- see note 19 g) halted construction and announced their decision to cease construction on the V.C. Summer Units 2 and 3 project. The State is currently evaluating options that include selling the Authority or selling the related construction in progress to another entity to finish the project, yet it has made no decision at this time.

e. Medical University of South Carolina Building and Garage Sale and Leaseback

On October 18, 2018 the Medical University of South Carolina, a major discretely presented component unit, performed a sale and leaseback of a building and garage. This transaction resulted in net proceeds of \$18.087 million with a gain of \$9.500 million. Due to the leaseback, a deferred gain of \$6.700 million and a gain of \$2.800 million will be reported in fiscal year 2019.



**REQUIRED
SUPPLEMENTARY INFORMATION—
Other than Management's Discussion and Analysis
(Unaudited)**

REQUIRED SUPPLEMENTARY INFORMATION**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****BUDGETARY GENERAL FUND****For the Fiscal Year Ended June 30, 2018****(Expressed in Thousands)**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget— Positive (Negative) |
|---|-------------------------|------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Regular sources | | | | |
| Individual income tax..... | \$ 3,753,322 | \$ 3,753,322 | \$ 3,856,348 | \$ 103,026 |
| Sales and use tax..... | 3,041,207 | 3,041,207 | 3,034,415 | (6,792) |
| Corporation income tax..... | 287,915 | 287,915 | 333,618 | 45,703 |
| Insurance tax..... | 242,046 | 242,046 | 227,932 | (14,114) |
| Beer and wine tax..... | 114,891 | 114,891 | 107,727 | (7,164) |
| Alcoholic liquor tax..... | 80,318 | 80,318 | 79,285 | (1,033) |
| Corporation license tax..... | 108,000 | 108,000 | 110,199 | 2,199 |
| Bank tax..... | 31,520 | 31,520 | 47,909 | 16,389 |
| Documentary tax..... | 67,899 | 67,899 | 75,625 | 7,726 |
| Earned on investments..... | 24,000 | 24,000 | 40,110 | 16,110 |
| Admissions tax..... | 29,145 | 29,145 | 30,746 | 1,601 |
| Tobacco tax..... | 27,411 | 27,411 | 27,209 | (202) |
| Security dealer fees..... | 26,000 | 26,000 | 26,386 | 386 |
| Public Service Authority, Excess earnings from..... | 19,285 | 19,285 | 17,397 | (1,888) |
| Unclaimed property fund transfers..... | 15,000 | 15,000 | 15,000 | — |
| Indirect cost recoveries..... | 12,173 | 12,173 | 16,755 | 4,582 |
| Other revenue..... | 9,278 | 9,278 | 14,244 | 4,966 |
| Motor vehicle licenses..... | 11,117 | 11,117 | 11,031 | (86) |
| Workers' compensation insurance tax..... | 9,869 | 9,869 | 9,837 | (32) |
| Circuit and family court fines..... | 7,856 | 7,856 | 7,352 | (504) |
| Business filing fees..... | 5,675 | 5,675 | 7,038 | 1,363 |
| Private car lines tax..... | 4,555 | 4,555 | 5,960 | 1,405 |
| Record search fees..... | 4,461 | 4,461 | 4,461 | — |
| Nursing home fees..... | 3,500 | 3,500 | 3,573 | 73 |
| Uncashed checks..... | 2,000 | 2,000 | 2,927 | 927 |
| Parole and probation supervision fees..... | 3,393 | 3,393 | 3,393 | — |
| Purchasing card rebates..... | 2,800 | 2,800 | 3,035 | 235 |
| Surcharge on vehicle rentals..... | 706 | 706 | 946 | 240 |
| Aircraft tax..... | 2,500 | 2,500 | 2,500 | — |
| Savings and loan association tax..... | 1,817 | 1,817 | 949 | (868) |
| Bingo tax..... | 1,055 | 1,055 | 358 | (697) |
| Total revenues..... | 7,950,714 | 7,950,714 | 8,124,265 | 173,551 |

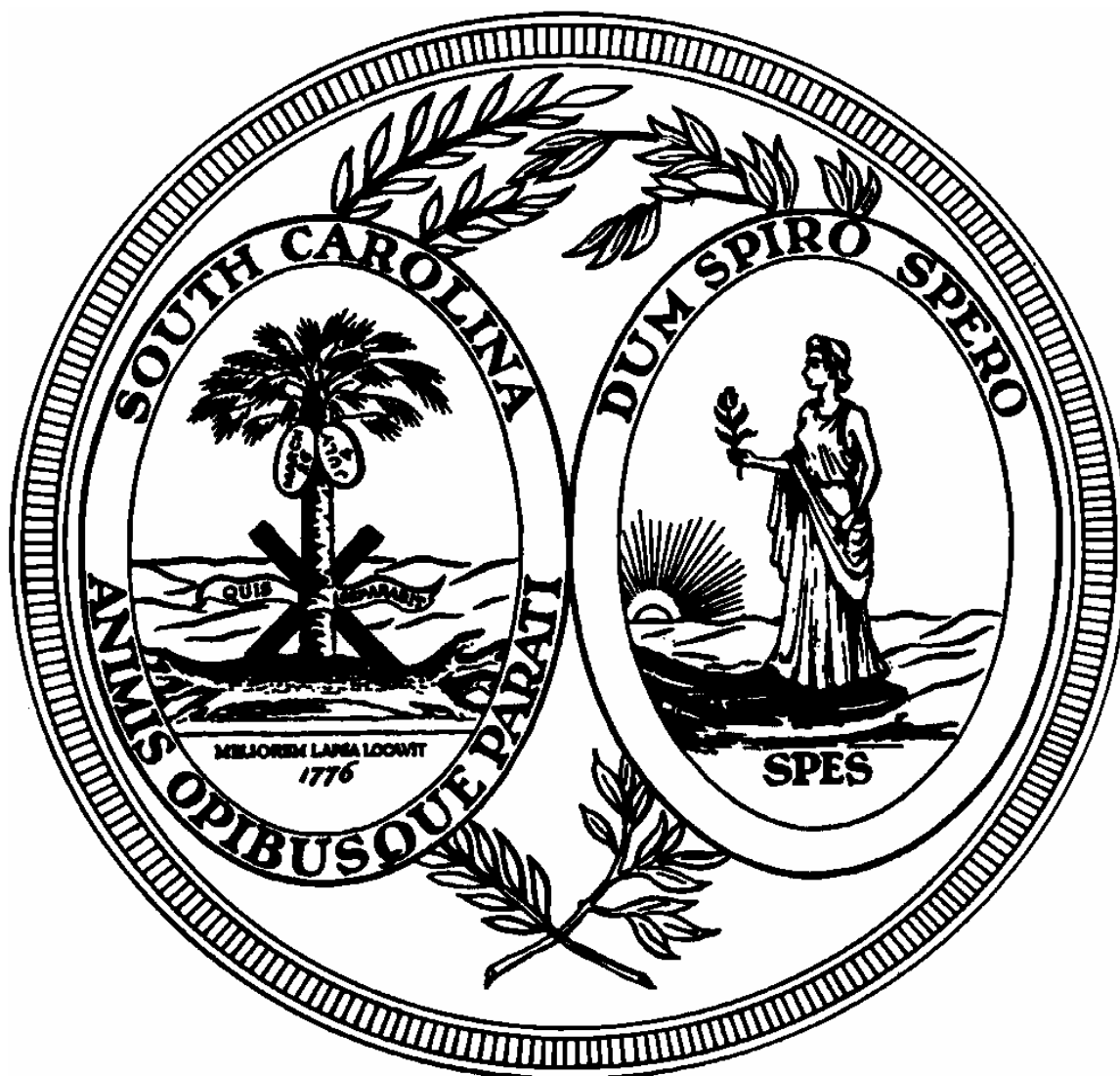
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget— Positive (Negative) |
|--|---------------------|-------------------|---|---|
| | Original | Final | | |
| Expenditures: | | | | |
| Legislative..... | \$ 48,355 | \$ 85,400 | \$ 50,338 | \$ 35,062 |
| Judicial..... | 56,014 | 59,911 | 57,640 | 2,271 |
| Executive and administrative..... | 416,646 | 452,089 | 374,581 | 77,508 |
| Educational..... | 3,635,890 | 3,786,930 | 3,742,367 | 44,563 |
| Health..... | 1,939,748 | 2,059,310 | 1,926,295 | 133,015 |
| Social rehabilitation services..... | 269,511 | 281,946 | 267,561 | 14,385 |
| Correctional and public safety..... | 566,916 | 619,866 | 584,074 | 35,792 |
| Conservation, natural resources, and development..... | 173,573 | 224,220 | 180,286 | 43,934 |
| Regulatory..... | 211,450 | 301,624 | 227,399 | 74,225 |
| Transportation..... | 52,126 | 78,642 | 61,624 | 17,018 |
| Debt service..... | 191,630 | 188,252 | 180,087 | 8,165 |
| Aid to subdivisions..... | 243,059 | 243,114 | 242,812 | 302 |
| Total expenditures..... | 7,804,918 | 8,381,304 | 7,895,064 | 486,240 |
| Excess of revenues over (under) expenditures—budgetary basis..... | 145,796 | (430,590) | 229,201 | 659,791 |
| Transfers from Litigation Settlement Account and Farm Aid Fund..... | — | — | 20,710 | 20,710 |
| Fund balance, beginning — budgetary basis..... | 1,076,471 | 1,076,471 | 1,076,471 | — |
| Fund balance, ending — budgetary basis..... | \$ 1,222,267 | \$ 645,881 | \$ 1,326,382 | \$ 680,501 |
| Less: | | | | |
| Capital Reserve appropriation..... | | | (139,208) | |
| Fund balance, ending — budgetary basis, after reservation..... | | | \$ 1,187,174 | |

The notes to the Required Supplementary Information--Budgetary are an integral part of the schedule.

REQUIRED SUPPLEMENTARY INFORMATION**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****OTHER BUDGETED FUNDS****For the Fiscal Year Ended June 30, 2018****(Expressed in Thousands)**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget— Positive (Negative) |
|--|-------------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Federal..... | \$ 8,623,470 | \$ 8,894,112 | \$ 7,560,717 | \$ (1,333,395) |
| Earmarked..... | 6,135,779 | 6,185,779 | 5,276,916 | (908,863) |
| Restricted..... | 4,867,521 | 5,029,143 | 4,686,429 | (342,714) |
| Total revenues..... | 19,626,770 | 20,109,034 | 17,524,062 | (2,584,972) |
| Expenditures: | | | | |
| Legislative..... | 2,793 | 15,899 | 14,367 | 1,532 |
| Judicial..... | 23,333 | 23,531 | 13,395 | 10,136 |
| Executive and administrative..... | 505,359 | 821,392 | 610,059 | 211,333 |
| Educational..... | 6,619,097 | 6,739,921 | 6,005,703 | 734,218 |
| Health..... | 7,581,417 | 7,598,240 | 6,968,515 | 629,725 |
| Social rehabilitation services..... | 761,629 | 781,059 | 643,857 | 137,202 |
| Correctional and public safety..... | 217,040 | 188,325 | 146,723 | 41,602 |
| Conservation, natural resources, and development..... | 325,392 | 374,193 | 299,129 | 75,064 |
| Regulatory..... | 330,076 | 350,491 | 266,438 | 84,053 |
| Transportation..... | 2,529,271 | 2,560,786 | 2,038,522 | 522,264 |
| Total expenditures..... | 18,895,407 | 19,453,837 | 17,006,708 | 2,447,129 |
| Excess of revenues over (under) expenditures—budgetary basis..... | 731,363 | 655,197 | 517,354 | (137,843) |
| Fund balance at beginning of year— budgetary basis..... | 3,766,673 | 3,766,673 | 3,766,673 | — |
| Fund balance at end of year—budgetary basis..... | \$ 4,498,036 | \$ 4,421,870 | \$ 4,284,027 | \$ (137,843) |

The notes to the Required Supplementary Information--Budgetary are an integral part of the schedule.



Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriations Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets categorized by:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriations Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedules as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriations Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriations Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original budgeted revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in the Statement of Revenues at the end of Part 1A of the Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request may exceed 20.0% of the program budget. In addition, the Executive Budget Office within the Department of Administration, composed of five key executive and legislative officials, has the authority to approve transfers of appropriations between personal service and other operating accounts.

The authority to reduce enacted appropriations is provided to the Executive Budget Office if it is deemed necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, the *Recapitulation* section of the Appropriations Act includes net *source of funds* amounts for two categories of Other Budgeted Funds: Federal and Other. The *original budgeted revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the Executive Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require Executive Budget Office approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The State Fiscal Accountability Authority and the Joint Bond Review Committee must approve and review those changes for projects that exceed \$1.000 million.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Acts for the 2017-18 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

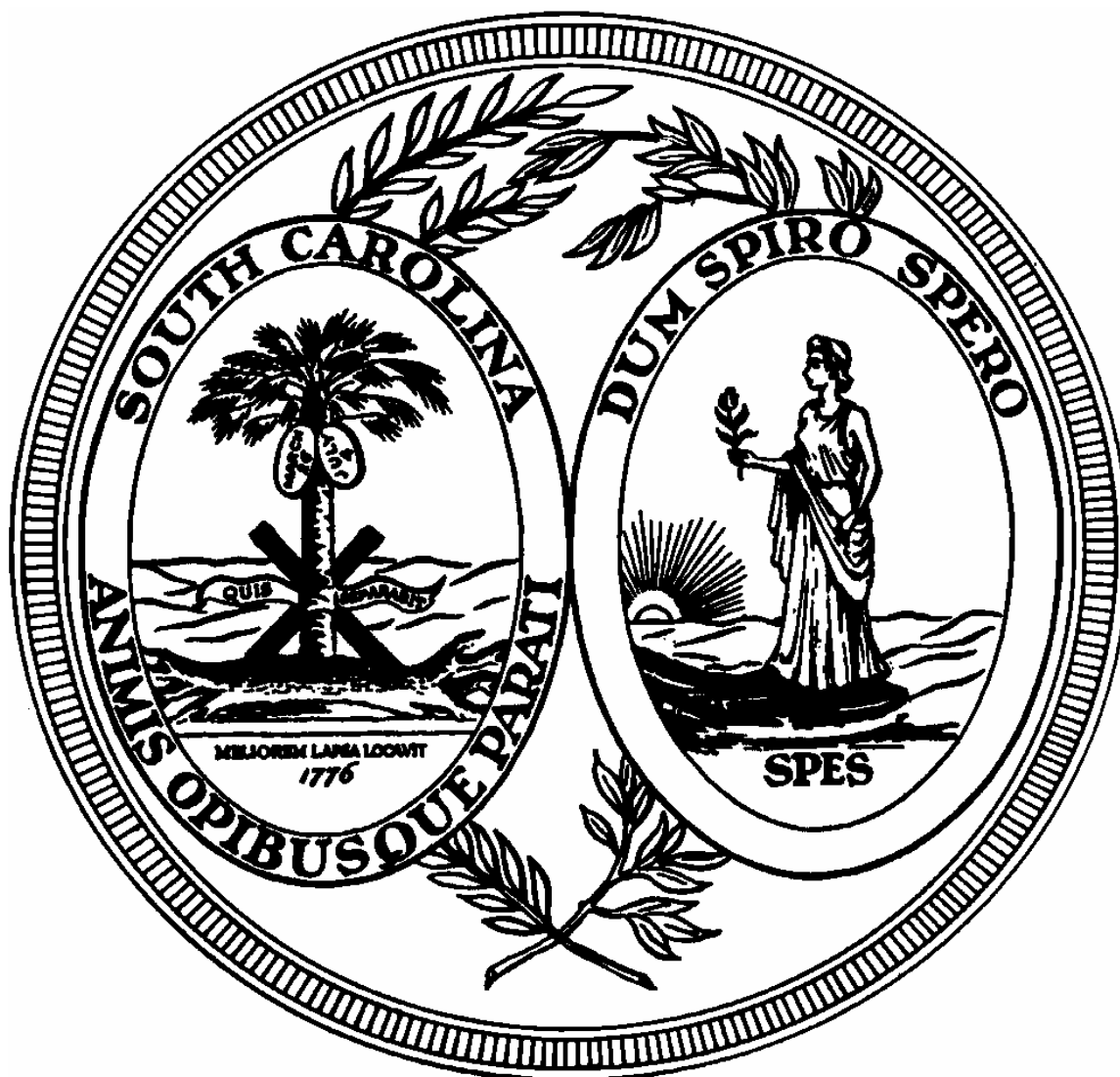
State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- (i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 14.
- (ii) Certain revenues collected in advance are recorded as liabilities (unearned revenues) rather than as revenues.
- (iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.
- (iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.
- (v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Its budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriations Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences for the fiscal year ended June 30, 2018, were as follows (expressed in thousands):

| <i>Budgetary funds</i> | <i>Budgetary General Fund</i> | <i>Major Special Revenue Funds</i> | | |
|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| | General Fund | Departmental Program Services | Local Government Infrastructure | Department of Transportation Special Revenue |
| <i>GAAP funds</i> | | | | |
| Net increase (decrease) in | | | | |
| fund balance—budgetary basis | \$ 229,201 | \$ — | \$ — | \$ — |
| Perspective differences: | | | | |
| Other Budgeted Funds net increase (decrease) allocated among the State's major governmental GAAP funds | 37,614 | (23,366) | 10,581 | — |
| Basis of accounting differences | 195,484 | 60,844 | 28,616 | 247,090 |
| Entity differences | 3,212 | 1,477 | — | — |
| Net increase (decrease) in fund balance—GAAP basis | \$ 465,511 | \$ 38,955 | \$ 39,197 | \$ 247,090 |



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the State of South Carolina's Proportionate Share of the SCRS and PORS Net Pension Liabilities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Last 10 Fiscal Years*

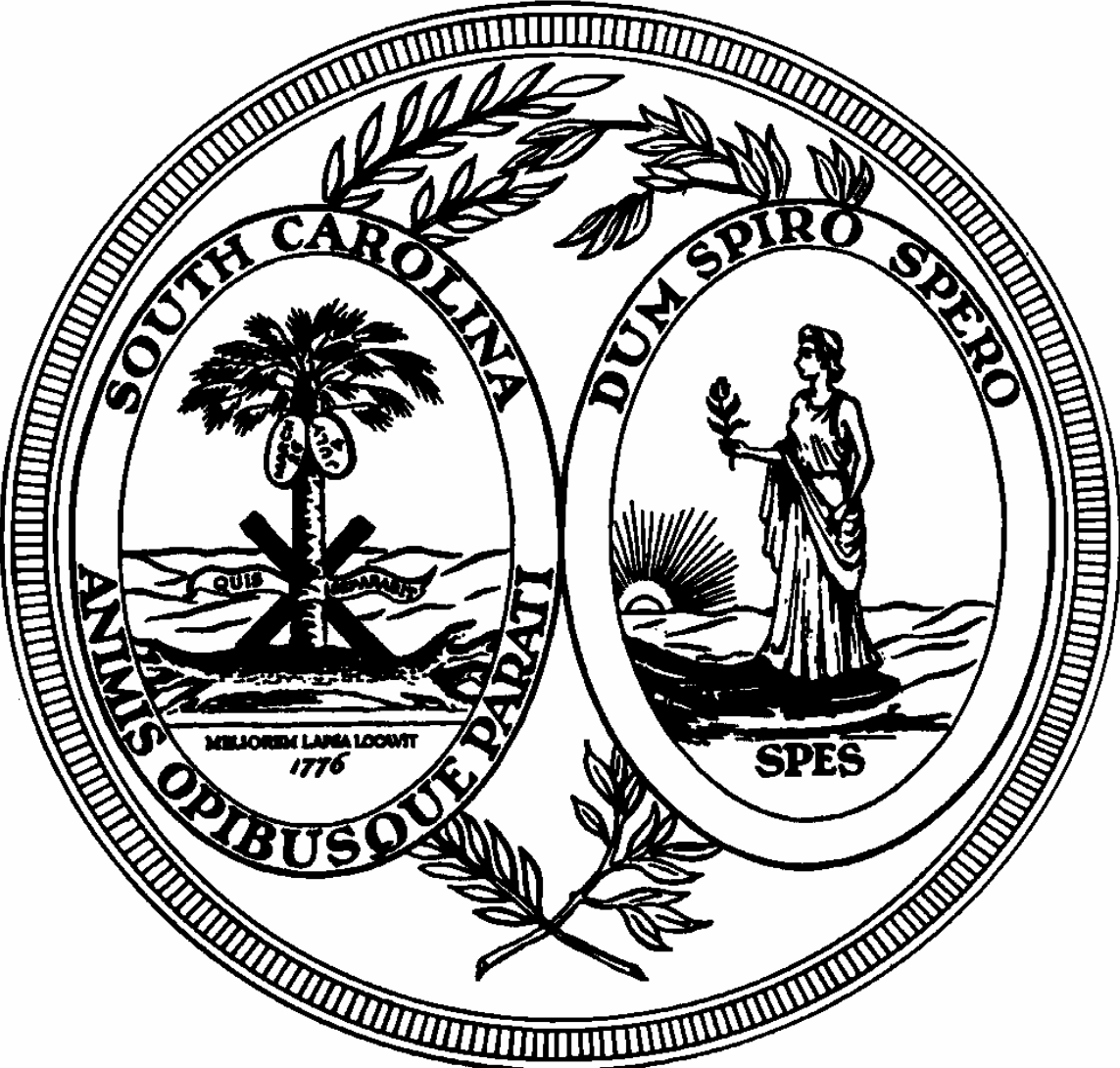
SCRS - South Carolina Retirement System

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| State's Proportion of the Net Pension Liability | 13.05% | 12.94% | 12.87% | 12.70% | 12.70% |
| State's Proportionate Share of the Net Pension Liability | \$ 2,938,212 | \$ 2,763,455 | \$ 2,441,249 | \$ 2,185,979 | \$ 2,277,364 |
| State Covered-Employee Payroll | \$ 1,079,349 | \$ 1,021,083 | \$ 954,763 | \$ 973,471 | \$ 958,913 |
| State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 272.22% | 270.64% | 255.69% | 224.56% | 237.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 53.30% | 52.91% | 56.99% | 59.92% | 56.39% |

PORS - South Carolina Police Officers Retirement System

| | | | | | |
|--|------------|------------|------------|------------|------------|
| State's Proportion of the Net Pension Liability | 28.97% | 28.88% | 30.05% | 30.37% | 30.37% |
| State's Proportionate Share of the Net Pension Liability | \$ 793,572 | \$ 732,637 | \$ 654,937 | \$ 581,343 | \$ 629,487 |
| State Covered-Employee Payroll | \$ 337,092 | \$ 328,193 | \$ 316,491 | \$ 337,916 | \$ 338,025 |
| State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 235.42% | 223.23% | 206.94% | 172.04% | 186.22% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 60.90% | 60.44% | 64.57% | 67.55% | 62.98% |

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last five years of information is available.



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the State of South Carolina's SCRS and PORS Contributions

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

Last 10 Fiscal Years*

SCRS - South Carolina Retirement System

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 168,903 | \$ 152,191 | \$ 131,856 | \$ 130,062 | \$ 122,348 |
| Contributions in Relation to the Contractually Required Contribution | (168,903) | (152,191) | (131,856) | (130,062) | (122,348) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| State Covered-Employee Payroll | \$ 1,079,349 | \$ 1,021,083 | \$ 954,763 | \$ 973,471 | \$ 958,913 |
| Contributions as a Percentage of Covered-Employee Payroll | 15.65% | 14.90% | 13.81% | 13.36% | 12.76% |

PORS - South Carolina Police Officers Retirement System

| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 61,790 | \$ 55,534 | \$ 50,546 | \$ 49,915 | \$ 46,907 |
| Contributions in Relation to the Contractually Required Contribution | (61,790) | (55,534) | (50,546) | (49,915) | (46,907) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| State Covered-Employee Payroll | \$ 337,092 | \$ 328,193 | \$ 316,491 | \$ 337,916 | \$ 338,025 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.33% | 16.92% | 15.97% | 14.77% | 13.88% |

* - In fiscal year 2013 (2014 on this schedule due to GASB 68), the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Fiscal years 2013 - 2009 have not been restated.

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------|--------------|--------------|--------------|--------------|
| \$ 123,651 | \$ 255,277 | \$ 252,814 | \$ 255,653 | \$ 260,536 |
| (123,651) | (255,277) | (252,814) | (255,653) | (260,536) |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ 956,163 | \$ 2,227,527 | \$ 2,247,145 | \$ 2,280,108 | \$ 2,283,295 |
| 12.93% | 11.46% | 11.25% | 11.21% | 11.41% |
| | | | | |
| \$ 44,393 | \$ 43,776 | \$ 42,699 | \$ 42,268 | \$ 44,566 |
| (44,393) | (43,776) | (42,699) | (42,268) | (44,566) |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ 339,686 | \$ 352,998 | \$ 346,404 | \$ 358,181 | \$ 372,869 |
| 13.07% | 12.40% | 12.33% | 11.80% | 11.95% |

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's GARS
Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

**GARS - Retirement System for the
Members of the General Assembly
of the State of South Carolina**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 5,428 | \$ 4,539 | \$ 4,501 | \$ 4,275 | \$ 4,063 |
| Contributions in Relation to the Contractually Required Contribution | (5,428) | (4,539) | (4,501) | (4,275) | (4,063) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Covered-Employee Payroll | \$ 1,961 | \$ 2,316 | \$ 2,338 | \$ 2,383 | \$ 2,688 |
| Contributions as a Percentage of Covered-Employee Payroll | 276.80% | 195.98% | 192.51% | 179.40% | 151.15% |

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry age

Amortization Method: Level dollar, closed

Remaining Amortization Period: 11 years

Asset Valuation Method: 5-Year Smoothed

Inflation: 2.25%

Salary Increases: None

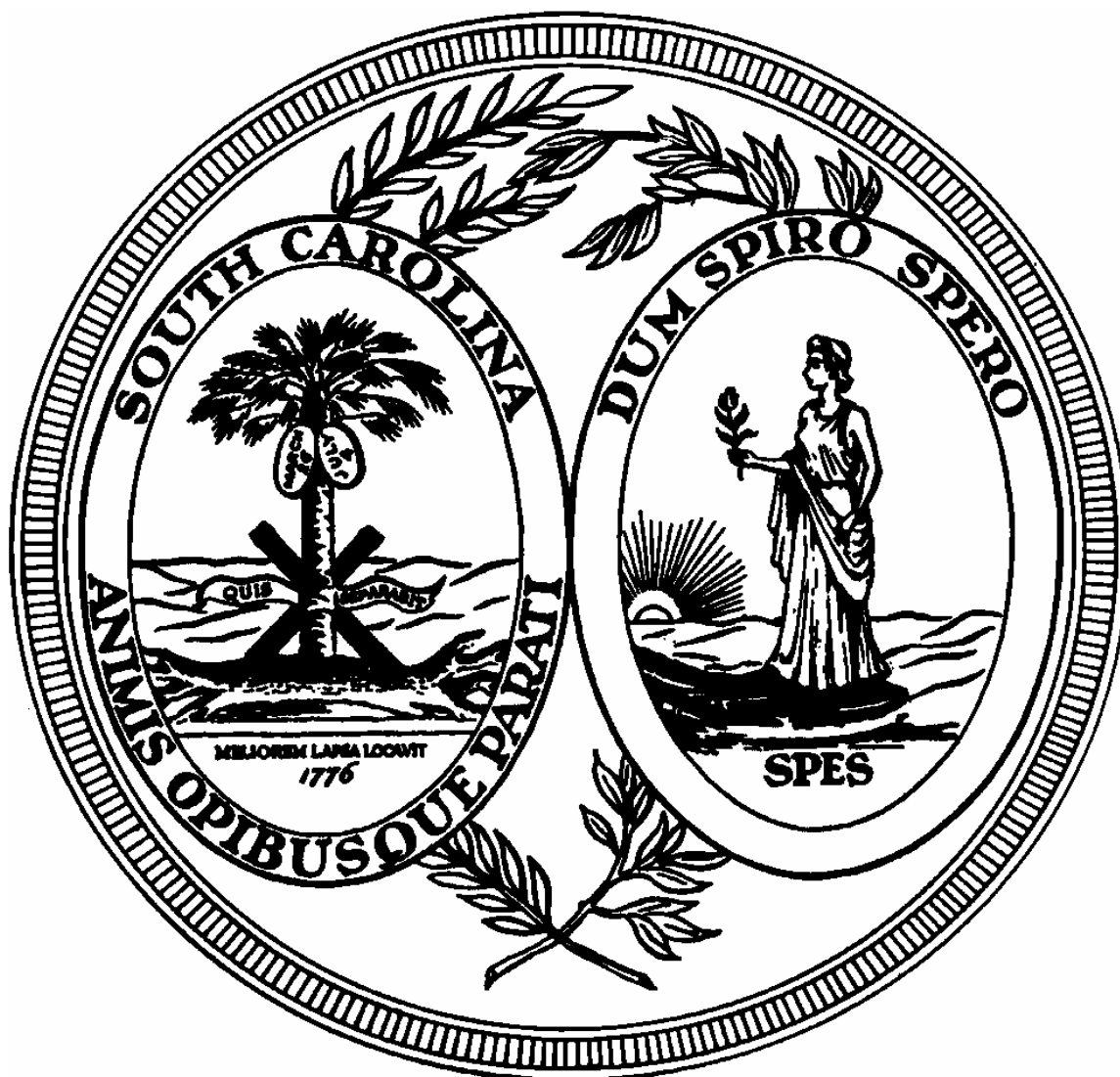
Investment Rate of Return: 7.25%, net of investment and administration expenses, including inflation

Retirement Age: Age 60 or 30 years of service or age 70 or 30 years of service while continuing to serve in the General Assembly.

Mortality: In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table.

Other Information: GARS is closed to members of the General Assembly first elected in November 2012 or after.

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 2,831 | \$ 2,532 | \$ 2,414 | \$ 2,598 | \$ 2,495 |
| (2,831) | (2,532) | (2,414) | (2,598) | (2,495) |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ 3,854 | \$ 3,854 | \$ 3,854 | \$ 3,854 | \$ 3,854 |
| 73.46% | 65.70% | 62.64% | 67.41% | 64.74% |



REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the State of South Carolina's GARS Net Pension Liability and Related Ratios
(Expressed in Thousands)

Last 10 Fiscal Years*

**GARS - Retirement System for
the Members of the General
Assembly of the State of South
Carolina**

| | 2018 | 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 488 | \$ 493 | \$ 553 | \$ 572 |
| Interest | 5,293 | 5,301 | 5,380 | 5,437 |
| Difference Between Actual and Expected Experience | (348) | 798 | (294) | (2,585) |
| Assumption Changes | 2,330 | — | — | — |
| Benefit Payments | (6,737) | (6,656) | (6,660) | (6,861) |
| Net Change in Total Pension Liability | 1,026 | (64) | (1,021) | (3,437) |
| Total Pension Liability - Beginning | 73,702 | 73,766 | 74,787 | 78,224 |
| Total Pension Liability - Ending (a) | <u>\$ 74,728</u> | <u>\$ 73,702</u> | <u>\$ 73,766</u> | <u>\$ 74,787</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 4,539 | \$ 4,501 | \$ 4,275 | \$ 4,063 |
| Contributions - Member | 468 | 292 | 369 | 384 |
| Refunds of Contributions to Members | — | (22) | — | (41) |
| Retirement Benefits | (6,678) | (6,625) | (6,639) | (6,799) |
| Death Benefits | (59) | (9) | (21) | (20) |
| Net Investment Income (Loss) | 3,329 | (266) | 500 | 4,545 |
| Administrative Expense | (17) | (18) | (18) | (17) |
| Other | 19 | (147) | (18) | 15 |
| Net Change in Plan Fiduciary Net Position | 1,601 | (2,294) | (1,552) | 2,130 |
| Plan Fiduciary Net Position - Beginning | 30,188 | 32,482 | 34,034 | 31,904 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 31,789</u> | <u>\$ 30,188</u> | <u>\$ 32,482</u> | <u>\$ 34,034</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 42,939</u> | <u>\$ 43,514</u> | <u>\$ 41,284</u> | <u>\$ 40,753</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 42.54% | 40.96% | 44.03% | 45.51% |
| Covered-Employee Payroll | \$ 1,961 | \$ 2,316 | \$ 2,338 | \$ 2,383 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 2189.65% | 1878.84% | 1765.78% | 1710.16% |

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's JSRS
Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

JSRS - Retirement System for
Judges and Solicitors of the State
of South Carolina

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 11,043 | \$ 10,534 | \$ 10,202 | \$ 10,109 | \$ 9,659 |
| Contributions in Relation to the Contractually Required Contribution | (11,043) | (10,534) | (10,202) | (10,109) | (9,659) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Covered-Employee Payroll | \$ 22,347 | \$ 21,958 | \$ 21,267 | \$ 18,138 | \$ 20,407 |
| Contributions as a Percentage of Covered-Employee Payroll | 49.42% | 47.97% | 47.97% | 55.73% | 47.33% |

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|--------------------------------|---|
| Actuarial Cost Method: | Entry age |
| Amortization Method: | Level percent of pay, open |
| Remaining Amortization Period: | 30 years |
| Asset Valuation Method: | 5-Year Smoothed |
| Inflation: | 2.25% |
| Salary Increases: | 2.75% |
| Investment Rate of Return: | 7.25%, net of investment and administration expenses, including inflation |
| Retirement Age: | In the 2017 valuation the retirement age changed from a varying formula based on years of service and age to age 72 or 25 years of service for judges and 24 years of service for solicitors or circuit public defenders regardless of age. |
| Mortality: | In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table. |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 8,667 | \$ 8,414 | \$ 8,414 | \$ 8,414 | \$ 8,414 |
| (8,667) | (8,414) | (8,414) | (8,414) | (8,414) |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ 19,221 | \$ 18,661 | \$ 18,661 | \$ 18,661 | \$ 18,661 |
| 45.09% | 45.09% | 45.09% | 45.09% | 45.09% |

REQUIRED SUPPLEMENTARY INFORMATION

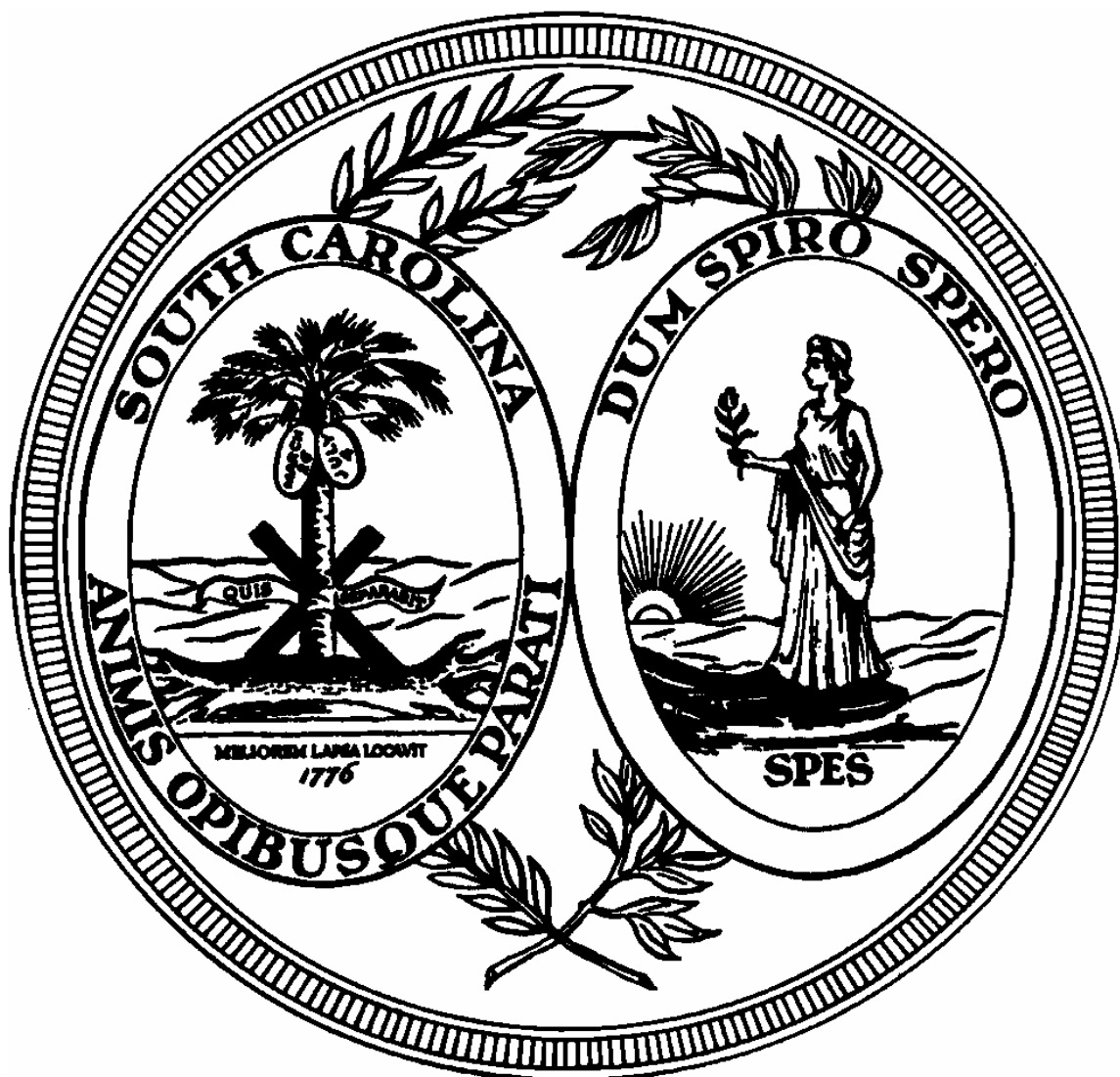
Schedule of Changes in the State of South Carolina's JSRS Net Pension Liability and Related Ratios (Expressed in Thousands)

Last 10 Fiscal Years*

JSRS - Retirement System for Judges and Solicitors of the State of South Carolina

| | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 6,186 | \$ 5,886 | \$ 5,760 | \$ 5,571 |
| Interest | 20,404 | 20,022 | 19,440 | 18,857 |
| Benefit Changes | — | — | 666 | — |
| Difference Between Actual and Expected Experience | (995) | (3,085) | (1,138) | (3,240) |
| Assumption Changes | 13,790 | — | — | — |
| Benefit Payments | (18,602) | (17,191) | (16,836) | (16,684) |
| Net Change in Total Pension Liability | 20,783 | 5,632 | 7,892 | 4,504 |
| Total Pension Liability - Beginning | 278,256 | 272,624 | 264,732 | 260,228 |
| Total Pension Liability - Ending (a) | <u>\$ 299,039</u> | <u>\$ 278,256</u> | <u>\$ 272,624</u> | <u>\$ 264,732</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 10,534 | \$ 10,202 | \$ 10,109 | \$ 9,659 |
| Contributions - Member | 2,928 | 2,303 | 3,153 | 2,448 |
| Refunds of Contributions to Members | (629) | (60) | — | — |
| Retirement Benefits | (17,679) | (16,989) | (16,832) | (16,675) |
| Death Benefits | (293) | (143) | (4) | (10) |
| Net Investment Income (Loss) | 16,399 | (871) | 2,216 | 19,962 |
| Administrative Expense | (79) | (75) | (71) | (68) |
| Other | 253 | (3) | 286 | 195 |
| Net Change in Plan Fiduciary Net Position | 11,434 | (5,636) | (1,143) | 15,511 |
| Plan Fiduciary Net Position - Beginning | 140,717 | 146,353 | 147,496 | 131,985 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 152,151</u> | <u>\$ 140,717</u> | <u>\$ 146,353</u> | <u>\$ 147,496</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 146,888</u> | <u>\$ 137,539</u> | <u>\$ 126,271</u> | <u>\$ 117,236</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 50.88% | 50.57% | 53.68% | 55.72% |
| Covered-Employee Payroll | \$ 22,347 | \$ 21,958 | \$ 21,267 | \$ 18,138 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 657.31% | 626.37% | 593.74% | 646.36% |

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.



REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCNG
Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

SCNG - South Carolina National
Guard Supplemental Retirement
Plan

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|----------------|----------------|-------------|-------------|
| Contractually Required Contribution | \$ 4,814 | \$ 4,509 | \$ 4,570 | \$ 4,591 | \$ 4,586 |
| Contributions in Relation to the Contractually Required Contribution | (4,814) | (4,591) | (4,591) | (4,591) | (4,586) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ (82)</u> | <u>\$ (21)</u> | <u>\$ —</u> | <u>\$ —</u> |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A |
| Contributions as a Percentage of Covered-Employee Payroll | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|--------------------------------|--|
| Actuarial Cost Method: | Entry age |
| Amortization Method: | Level dollar, closed |
| Remaining Amortization Period: | 17 years |
| Asset Valuation Method: | 5-Year Smoothed |
| Inflation: | 2.25% |
| Salary Increases: | N/A |
| Investment Rate of Return: | 7.25%, net of investment and administration expenses, including inflation |
| Retirement Age: | Age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of that 20 years of service, 15 years, and the final 10 years, must have been served in the South Carolina National Guard. |

Mortality: In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table.

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 4,539 | \$ 3,937 | \$ 3,905 | \$ 3,945 | \$ 4,052 |
| (4,539) | (3,937) | (3,905) | (3,945) | (4,052) |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |

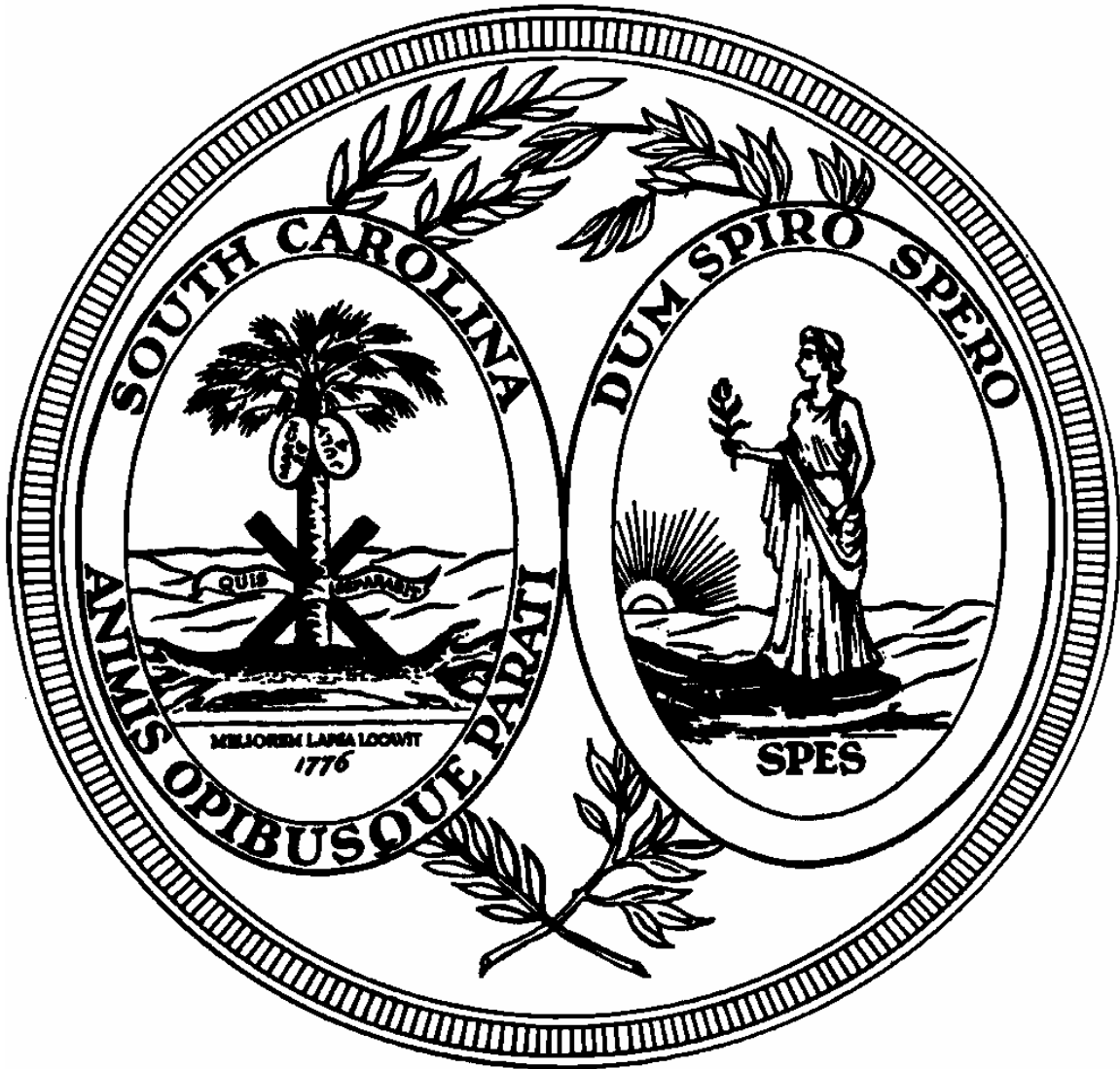
REQUIRED SUPPLEMENTARY INFORMATION **Schedule of Changes in the State of South Carolina's SCNG Net Pension Liability and Related Ratios** **(Expressed in Thousands)**

Last 10 Fiscal Years*

SCNG - South Carolina National Guard Supplemental Retirement Plan

| | 2018 | 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 696 | \$ 689 | \$ 690 | \$ 697 |
| Interest | 4,589 | 4,594 | 4,481 | 4,417 |
| Difference Between Actual and Expected Experience | (843) | (992) | 612 | (262) |
| Assumption Changes | 4,161 | — | — | — |
| Benefit Payments | (4,426) | (4,310) | (4,249) | (4,248) |
| Net Change in Total Pension Liability | 4,177 | (19) | 1,534 | 604 |
| Total Pension Liability - Beginning | 63,045 | 63,064 | 61,530 | 60,926 |
| Total Pension Liability - Ending (a) | <u>\$ 67,222</u> | <u>\$ 63,045</u> | <u>\$ 63,064</u> | <u>\$ 61,530</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 4,591 | \$ 4,591 | \$ 4,591 | \$ 4,586 |
| Retirement Benefits | (4,425) | (4,310) | (4,249) | (4,248) |
| Net Investment Income (Loss) | 2,533 | (121) | 313 | 2,806 |
| Administrative Expense | (13) | (12) | (11) | (10) |
| Net Change in Plan Fiduciary Net Position | 2,686 | 148 | 644 | 3,134 |
| Plan Fiduciary Net Position - Beginning | 23,350 | 23,202 | 22,558 | 19,424 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 26,036</u> | <u>\$ 23,350</u> | <u>\$ 23,202</u> | <u>\$ 22,558</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 41,186</u> | <u>\$ 39,695</u> | <u>\$ 39,862</u> | <u>\$ 38,972</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 38.73% | 37.04% | 36.79% | 36.66% |
| Covered-Employee Payroll | N/A | N/A | N/A | N/A |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | N/A | N/A | N/A | N/A |

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.



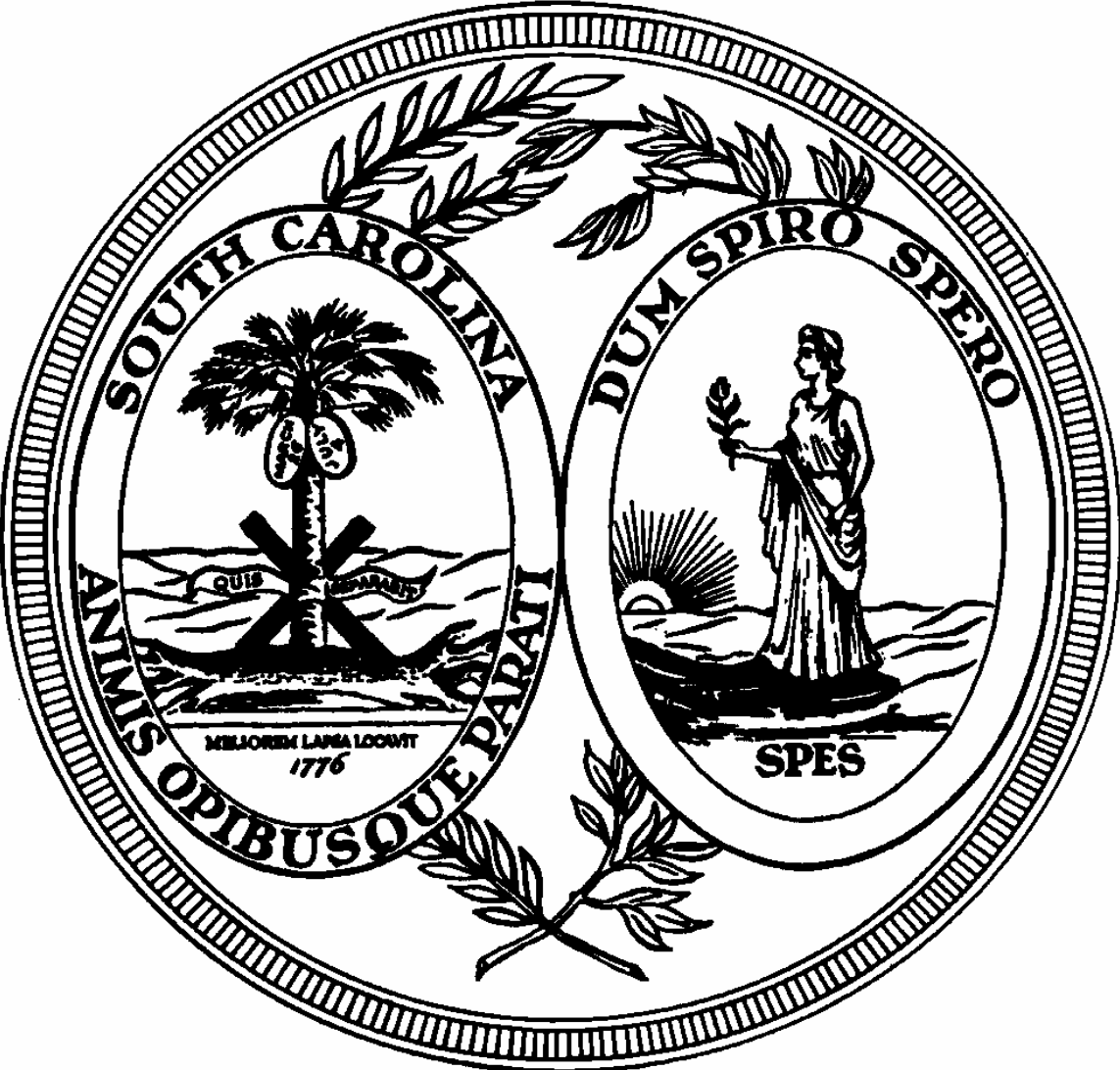
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's Proportionate
Share of the Net OPEB Liability
(Expressed in Thousands)

Last 10 Fiscal Years

SCRHI - The South Carolina
Retiree Health Insurance Trust
Fund

| | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|
| State's Proportion of the Net OPEB Liability | 20.95% | 20.95% |
| State's Proportionate Share of the Net OPEB Liability | \$ 2,837,273 | \$ 3,030,783 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 7.60% | 6.62% |

* - The State implemented GASB 75 in fiscal year 2018, which changed prior calculations of the total OPEB liabilities. As such, only the last two years' information is available.



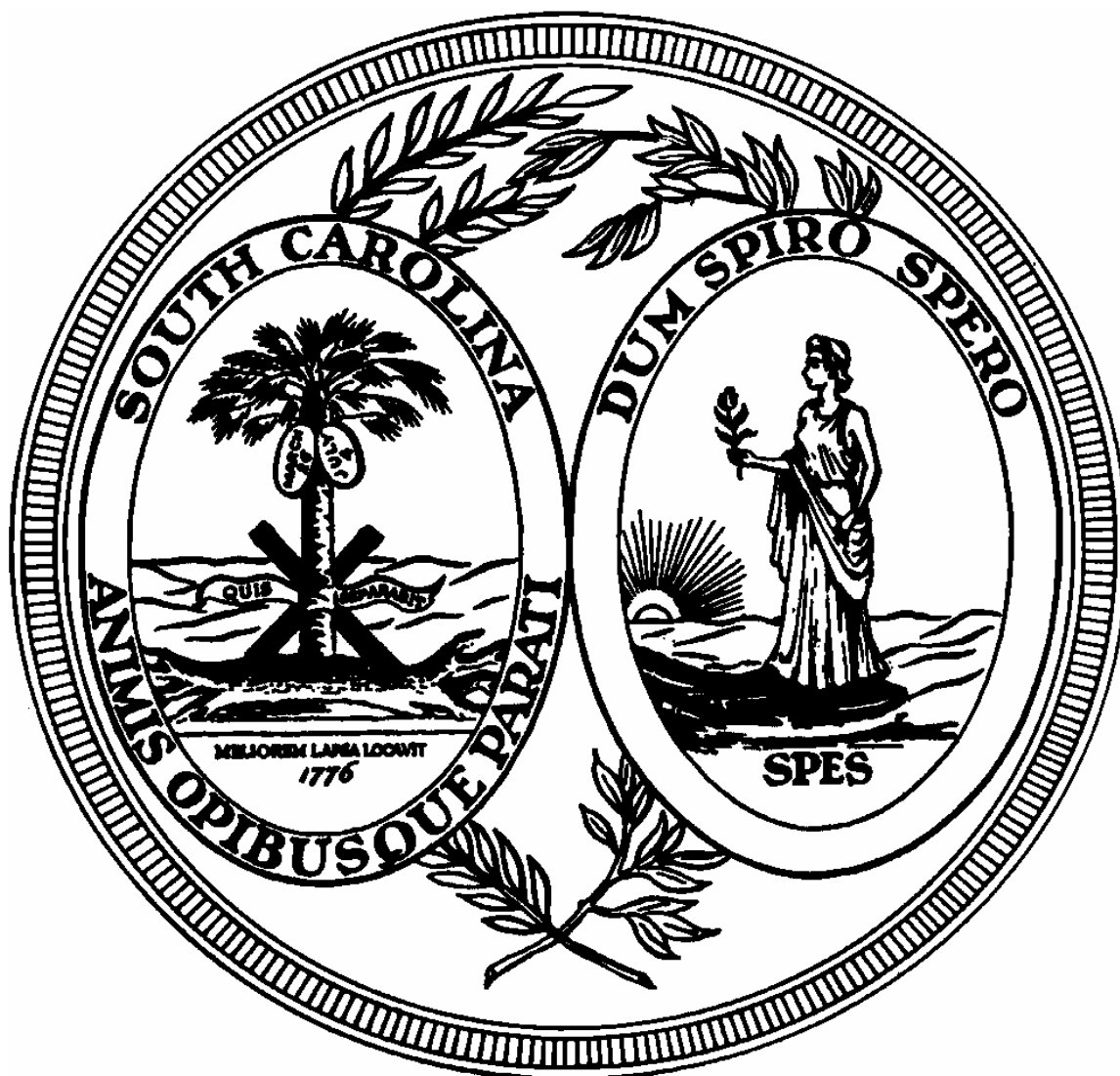
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCRHI
Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

SCRHI - The South Carolina
Retiree Health Insurance Trust
Fund

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 102,826 | \$ 166,834 | \$ 157,065 | \$ 156,653 | \$ 163,194 |
| Contributions in Relation to the Contractually Required Contribution | (102,826) | (102,887) | (95,903) | (119,745) | (99,102) |
| Contribution Deficiency/(Excess) | <u>\$ —</u> | <u>\$ 63,947</u> | <u>\$ 61,162</u> | <u>\$ 36,908</u> | <u>\$ 64,092</u> |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------|------------------|-------------------|-------------------|------------------|
| \$ 171,551 | \$ 164,938 | \$ 170,915 | \$ 164,510 | \$ 152,323 |
| (85,810) | (87,782) | (63,427) | (62,117) | (77,482) |
| <u>\$ 85,741</u> | <u>\$ 77,156</u> | <u>\$ 107,488</u> | <u>\$ 102,393</u> | <u>\$ 74,841</u> |



REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's
Proportionate Share of the Net OPEB Liability
(Expressed in Thousands)

Last 10 Fiscal Years

**LTDIHF - The Long Term
Disability Insurance Trust Fund**

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| State's Proportion of the Net OPEB Liability | 21.71% | 21.71% |
| State's Proportionate Share of the Net OPEB Liability | \$ 394 | \$ 151 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 95.29% | 98.15% |

* - The State implemented GASB 75 in fiscal year 2018, which changed prior calculations of the total OPEB liabilities. As such, only the last two years' information is available.

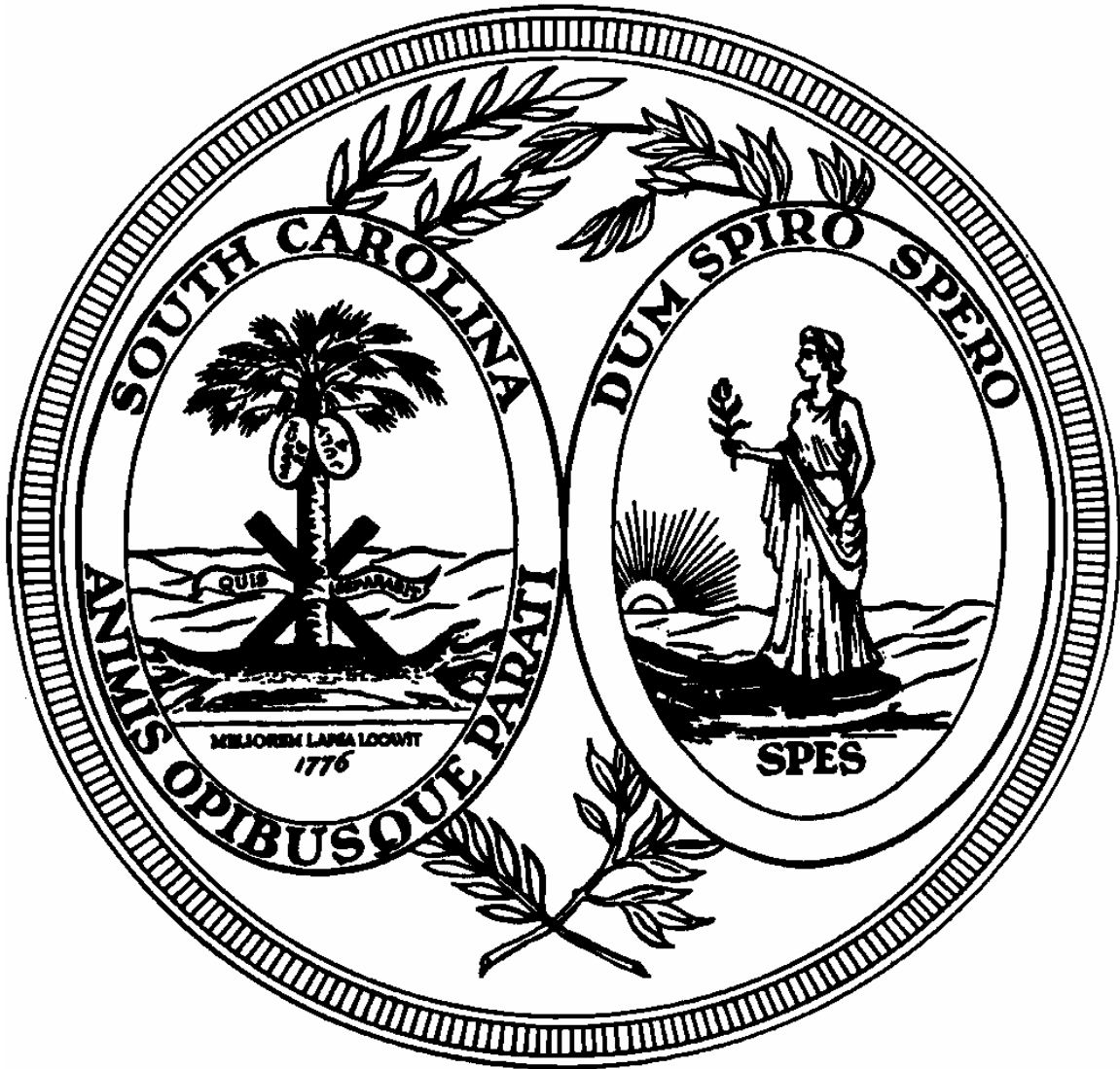
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's LTDIHF
Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

**LTDIHF - The Long Term
Disability Insurance Trust Fund**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|-----------------|-----------------|---------------|--------------|
| Contractually Required Contribution | \$ 1,976 | \$ 2,918 | \$ 2,845 | \$ 2,256 | \$ 1,574 |
| Contributions in Relation to the Contractually Required Contribution | (1,658) | (1,669) | (1,547) | (1,520) | (1,508) |
| Contribution Deficiency/(Excess) | <u>\$ 318</u> | <u>\$ 1,249</u> | <u>\$ 1,298</u> | <u>\$ 736</u> | <u>\$ 66</u> |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------|---------------|---------------|---------------|---------------|
| \$ 2,043 | \$ 2,004 | \$ 2,053 | \$ 2,082 | \$ 2,056 |
| (1,476) | (1,465) | (1,465) | (1,487) | (1,512) |
| <u>\$ 567</u> | <u>\$ 539</u> | <u>\$ 588</u> | <u>\$ 595</u> | <u>\$ 544</u> |



**SUPPLEMENTARY
INFORMATION**

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's governmental funds:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds
- General Reserve Fund Activity—Budgetary General Fund

Generally accepted accounting principles (GAAP) for governments require that a Comprehensive Annual Financial Report (CAFR) include budgetary comparison schedules for "individual nonmajor special revenue funds and other governmental funds of the primary government (including its blended component units)." Such schedules would be included as supplementary information in this subsection of the CAFR if they were applicable. The State of South Carolina, however, does not prepare separate budgets for its individual special revenue funds or for its other governmental funds. Accordingly, this subsection includes no budgetary comparison schedules. (Also see the budgetary comparison schedules within the Required Supplementary Information section of this report.)

Note 1b in the notes to the financial statements describes the State's major governmental funds. The paragraphs below describe all other individual governmental funds that the State uses.

a. Nonmajor Special Revenue Funds

Special revenue funds account for specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The State uses the nonmajor special revenue funds described below:

Waste Management Fund. This fund accounts for fees collected from consumers, generators of solid and hazardous wastes, and owners and operators of solid waste and hazardous waste storage facilities. These fees must be used for the purposes set forth in the State's Solid Waste Policy and Management Act of 1991 and to cover the State's costs in governmental actions involving uncontrolled hazardous waste sites.

Accommodations and Local Option Sales Tax Fund. This fund accounts for: (1) a special additional 2% sales tax on the gross proceeds on the rental of transient accommodations and (2) a special 1% sales tax applicable in some localities within the State. The State allocates these revenues to counties and municipalities in accordance with State law.

Education Lottery Fund. State law requires the Lottery Commission, a major discretely presented component unit, to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund. The Fund distributes these monies for education purposes and programs as stipulated in State law. These programs include tuition assistance, needs-based grants, scholarships for the State's universities and technical colleges and acquisition or improvement of physical resources for education.

Tobacco Settlement Revenue Management Authority Fund. The Tobacco Settlement Revenue Management Authority was created to issue bonds that securitized future payments received under the multi-state legal settlement with the tobacco industry. The State transferred to the Authority, from its General Fund, all of its rights to the future tobacco settlement revenues.

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority. Various healthcare and local government programs use these funds and the related interest.

Public Telecommunications Fund. The Public Telecommunications Fund of the State's Office of Regulatory Staff accounts for revenues collected from telephone companies within the State and redistributed to certain telephone companies in an effort to align prices and cost recovery with costs. This program also is intended to ensure basic telephone service at affordable rates is available to all citizens. Other revenues of the Fund include telephone customer surcharges for the 911 emergency system mandated by the FCC. These monies are collected from the telephone companies and distributed to local governments for their 911 emergency telephone systems.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues that must be used for specific purposes. These funds include operations of various employment services, water recreation, agricultural boards, forest renewal programs, medical and dental scholarships, energy-related programs, and certain programs administered by the Department of Probation, Parole, and Pardon Services.

b. Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds are accounted for through the Capital Projects Fund.

c. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs—that is, for the benefit of the State or its citizenry.

Bequests Fund. Sometimes private citizens make bequests of specific assets within their wills to the State. Typically, these gifts provide that the State may expend the earnings, but not the principal, to support certain State agencies or certain programs within a specific State agency. The Bequests Fund accounts for these funds.

Children's Education Endowment Fund. This fund accounts for low-level radioactive waste fees collected from the Barnwell waste facility that are not required to be deposited to the General Fund or remitted to Barnwell County. These funds are to be used for public school facilities assistance and higher education scholarship grants.

Wildlife Endowment Fund. The Wildlife Endowment Fund accounts for funds received from private citizens as gifts and contributions, as well as fees for certain lifetime hunting and fishing licenses. The State may expend the earnings, but not the principal, in furthering the conservation of wildlife resources and the efficient operation of the State's Department of Natural Resources.

Combining Balance Sheet

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

(Expressed in Thousands)

| | SPECIAL REVENUE | | | | | |
|--|---------------------|--|----------------------|---|--------------------------------|-------------------------------------|
| | Waste Management | Accommodations and Local Option Sales Tax | Education Lottery | Tobacco Settlement Revenue Management Authority | State Tobacco Settlement | Public Tele- commu- nications |
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 33,373 | \$ 110,022 | \$ 31,662 | \$ 5,241 | \$ 5,819 | \$ 5,964 |
| Investments..... | 138,878 | 64,313 | 68,589 | — | 2,649 | 7,277 |
| Invested securities lending collateral..... | 134 | 62 | 66 | — | 3 | 7 |
| Receivables, net: | | | | | | |
| Accounts..... | — | — | 24,559 | — | — | 3 |
| Accrued interest..... | 864 | 261 | 601 | — | 36 | 42 |
| Sales and other taxes..... | 139 | 120,662 | — | — | — | — |
| Due from Federal government and other grantors..... | — | — | — | — | — | — |
| Due from component units..... | — | — | 13,851 | — | — | — |
| Restricted assets: | | | | | | |
| Other..... | — | — | — | 35,500 | — | — |
| Prepaid items..... | — | — | — | — | — | — |
| Total assets..... | \$ 173,388 | \$ 295,320 | \$ 139,328 | \$ 40,741 | \$ 8,507 | \$ 13,293 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable..... | 948 | 4,720 | 779 | — | — | 114 |
| Accrued salaries and related expenditures..... | 26 | — | 30 | — | — | 11 |
| Retainages payable..... | — | — | — | — | — | — |
| Tax refunds payable..... | — | 49 | — | — | — | — |
| Intergovernmental payables..... | — | 97,552 | 49 | — | — | — |
| Due to other funds..... | 8 | — | 12 | — | — | 5 |
| Due to component units..... | — | — | 6,101 | — | — | — |
| Securities lending collateral..... | 134 | 62 | 66 | — | 3 | 7 |
| Total liabilities..... | 1,116 | 102,383 | 7,037 | — | 3 | 137 |
| Fund balances: | | | | | | |
| Nonspendable..... | — | — | — | — | — | — |
| Restricted..... | 172,272 | 192,937 | 132,291 | 40,741 | 8,504 | 13,156 |
| Committed..... | — | — | — | — | — | — |
| Assigned..... | — | — | — | — | — | — |
| Total fund balances..... | 172,272 | 192,937 | 132,291 | 40,741 | 8,504 | 13,156 |
| Total liabilities and fund balances..... | \$ 173,388 | \$ 295,320 | \$ 139,328 | \$ 40,741 | \$ 8,507 | \$ 13,293 |

Exhibit D-1

| PERMANENT | | | | | | | | |
|-----------------------------|-------------------|---------------------|-----------------|-----------------|--------------------------------------|-----------------------|------------------|-------------------|
| Other Special Revenue | Totals | CAPITAL PROJECTS | DEBT SERVICE | Bequests | Children's Education Endowment | Wildlife Endowment | Totals | TOTALS |
| \$ 44,933 | \$ 237,014 | \$ 83,688 | \$ — | \$ 180 | \$ 1,314 | \$ 290 | \$ 1,784 | \$ 322,486 |
| 42,164 | 323,870 | 53,960 | — | 1,271 | 6,035 | 5,905 | 13,211 | 391,041 |
| 38 | 310 | 52 | — | 1 | 6 | 1 | 8 | 370 |
| 78 | 24,640 | — | — | — | 2 | 2 | 4 | 24,644 |
| 272 | 2,076 | 483 | — | 11 | 15 | 54 | 80 | 2,639 |
| 652 | 121,453 | — | — | — | — | — | — | 121,453 |
| — | — | 112 | — | — | — | — | — | 112 |
| — | 13,851 | 8,332 | — | — | — | — | — | 22,183 |
| — | 35,500 | — | — | — | — | — | — | 35,500 |
| 1 | 1 | — | — | — | — | — | — | 1 |
| \$ 88,138 | \$ 758,715 | \$ 146,627 | \$ — | \$ 1,463 | \$ 7,372 | \$ 6,252 | \$ 15,087 | \$ 920,429 |
| 1,460 | 8,021 | 1,797 | — | — | — | — | — | 9,818 |
| 190 | 257 | — | — | — | — | 6 | 6 | 263 |
| — | — | 3,045 | — | — | — | — | — | 3,045 |
| — | 49 | — | — | — | — | — | — | 49 |
| 5,116 | 102,717 | — | — | — | — | — | — | 102,717 |
| 60 | 85 | — | — | — | — | 3 | 3 | 88 |
| — | 6,101 | 2,167 | — | — | — | — | — | 8,268 |
| 38 | 310 | 52 | — | 1 | 6 | 1 | 8 | 370 |
| 6,864 | 117,540 | 7,061 | — | 1 | 6 | 10 | 17 | 124,618 |
| 1 | 1 | — | — | 689 | 7,366 | 3,179 | 11,234 | 11,235 |
| 46,185 | 606,086 | 114,076 | — | 773 | — | 3,063 | 3,836 | 723,998 |
| 30,870 | 30,870 | 25,490 | — | — | — | — | — | 56,360 |
| 4,218 | 4,218 | — | — | — | — | — | — | 4,218 |
| 81,274 | 641,175 | 139,566 | — | 1,462 | 7,366 | 6,242 | 15,070 | 795,811 |
| \$ 88,138 | \$ 758,715 | \$ 146,627 | \$ — | \$ 1,463 | \$ 7,372 | \$ 6,252 | \$ 15,087 | \$ 920,429 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | SPECIAL REVENUE | | | | | |
|--|---------------------|--|----------------------|---|--------------------------------|-------------------------------------|
| | Waste Management | Accommodations and Local Option Sales Tax | Education Lottery | Tobacco Settlement Revenue Management Authority | State Tobacco Settlement | Public Tele- communi- cations |
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| Retail sales and use..... | \$ 2,221 | \$ 948,160 | \$ — | \$ — | \$ — | \$ — |
| Other..... | — | 3 | — | — | — | — |
| Licenses, fees, and permits..... | 1,076 | — | — | — | — | 46,403 |
| Interest and other investment income..... | 1,424 | 148 | 1,264 | — | 48 | 53 |
| Federal..... | — | — | — | — | — | — |
| Departmental services..... | 1 | — | — | — | — | — |
| Contributions..... | — | — | 434,800 | — | — | — |
| Fines and penalties..... | 6 | — | — | — | 81,106 | — |
| Tobacco legal settlement..... | — | — | — | 81,605 | — | — |
| Other..... | 429 | — | 175 | — | — | — |
| Total revenues..... | 5,157 | 948,311 | 436,239 | 81,605 | 81,154 | 46,456 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government..... | 2,185 | — | — | 2,070 | 42 | 43,816 |
| Education..... | — | — | 371,020 | — | — | — |
| Health and environment..... | 1,233 | — | 21 | — | 79,000 | — |
| Administration of justice..... | — | — | 77 | — | — | — |
| Resources and economic development..... | — | — | — | — | — | — |
| Capital outlay..... | 3 | — | 20,625 | — | — | — |
| Debt service: | | | | | | |
| Principal retirement..... | — | — | — | — | — | 1 |
| Interest and fiscal charges..... | — | — | — | — | — | — |
| Intergovernmental..... | 2,219 | 930,287 | 14,421 | — | — | — |
| Total expenditures..... | 5,640 | 930,287 | 406,164 | 2,070 | 79,042 | 43,817 |
| Excess of revenues over (under) expenditures..... | (483) | 18,024 | 30,075 | 79,535 | 2,112 | 2,639 |
| Other financing sources (uses): | | | | | | |
| Capital leases..... | — | — | — | — | — | 3 |
| Transfers in..... | — | — | — | — | 79,077 | — |
| Transfers out..... | — | — | (2,500) | (79,077) | (81,105) | — |
| Total other financing sources (uses)..... | — | — | (2,500) | (79,077) | (2,028) | 3 |
| Net change in fund balances..... | (483) | 18,024 | 27,575 | 458 | 84 | 2,642 |
| Fund balances at beginning of year..... | 172,755 | 174,913 | 104,716 | 40,283 | 8,420 | 10,514 |
| Fund balances at end of year..... | \$ 172,272 | \$ 192,937 | \$ 132,291 | \$ 40,741 | \$ 8,504 | \$ 13,156 |

| PERMANENT | | | | | | | | |
|-----------------------------|-------------------|---------------------|-----------------|-----------------|--------------------------------------|-----------------------|------------------|-------------------|
| Other Special Revenue | Totals | CAPITAL PROJECTS | DEBT SERVICE | Bequests | Children's Education Endowment | Wildlife Endowment | Totals | TOTALS |
| \$ — | \$ 950,381 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 950,381 |
| 2,880 | 2,883 | — | — | — | — | — | — | 2,883 |
| 15,700 | 63,179 | — | — | — | — | 511 | 511 | 63,690 |
| 553 | 3,490 | 971 | — | 7 | 82 | 25 | 114 | 4,575 |
| — | — | 1,962 | — | — | — | — | — | 1,962 |
| 12,524 | 12,525 | — | — | — | — | — | — | 12,525 |
| 249 | 435,049 | 669 | — | — | — | — | — | 435,718 |
| 7,058 | 88,170 | — | — | — | — | — | — | 88,170 |
| — | 81,605 | — | — | — | — | — | — | 81,605 |
| 59 | 663 | 2,987 | — | — | 229 | — | 229 | 3,879 |
| 39,023 | 1,637,945 | 6,589 | — | 7 | 311 | 536 | 854 | 1,645,388 |
| 26,356 | 74,469 | — | — | — | — | — | — | 74,469 |
| — | 371,020 | — | — | — | — | — | — | 371,020 |
| 62 | 80,316 | — | — | 7 | — | — | 7 | 80,323 |
| — | 77 | — | — | — | — | — | — | 77 |
| 177 | 177 | — | — | — | — | 108 | 108 | 285 |
| 50 | 20,678 | 95,878 | — | — | — | 88 | 88 | 116,644 |
| 3 | 4 | — | — | — | — | — | — | 4 |
| 1 | 1 | — | — | — | — | — | — | 1 |
| 15,952 | 962,879 | — | — | — | — | — | — | 962,879 |
| 42,601 | 1,509,621 | 95,878 | — | 7 | — | 196 | 203 | 1,605,702 |
| (3,578) | 128,324 | (89,289) | — | — | 311 | 340 | 651 | 39,686 |
| 25 | 28 | — | — | — | — | — | — | 28 |
| 10,719 | 89,796 | 90,799 | — | — | — | — | — | 180,595 |
| — | (162,682) | (1,889) | (14,243) | — | — | — | — | (178,814) |
| 10,744 | (72,858) | 88,910 | (14,243) | — | — | — | — | 1,809 |
| 7,166 | 55,466 | (379) | (14,243) | — | 311 | 340 | 651 | 41,495 |
| 74,108 | 585,709 | 139,945 | 14,243 | 1,462 | 7,055 | 5,902 | 14,419 | 754,316 |
| \$ 81,274 | \$ 641,175 | \$ 139,566 | \$ — | \$ 1,462 | \$ 7,366 | \$ 6,242 | \$ 15,070 | \$ 795,811 |

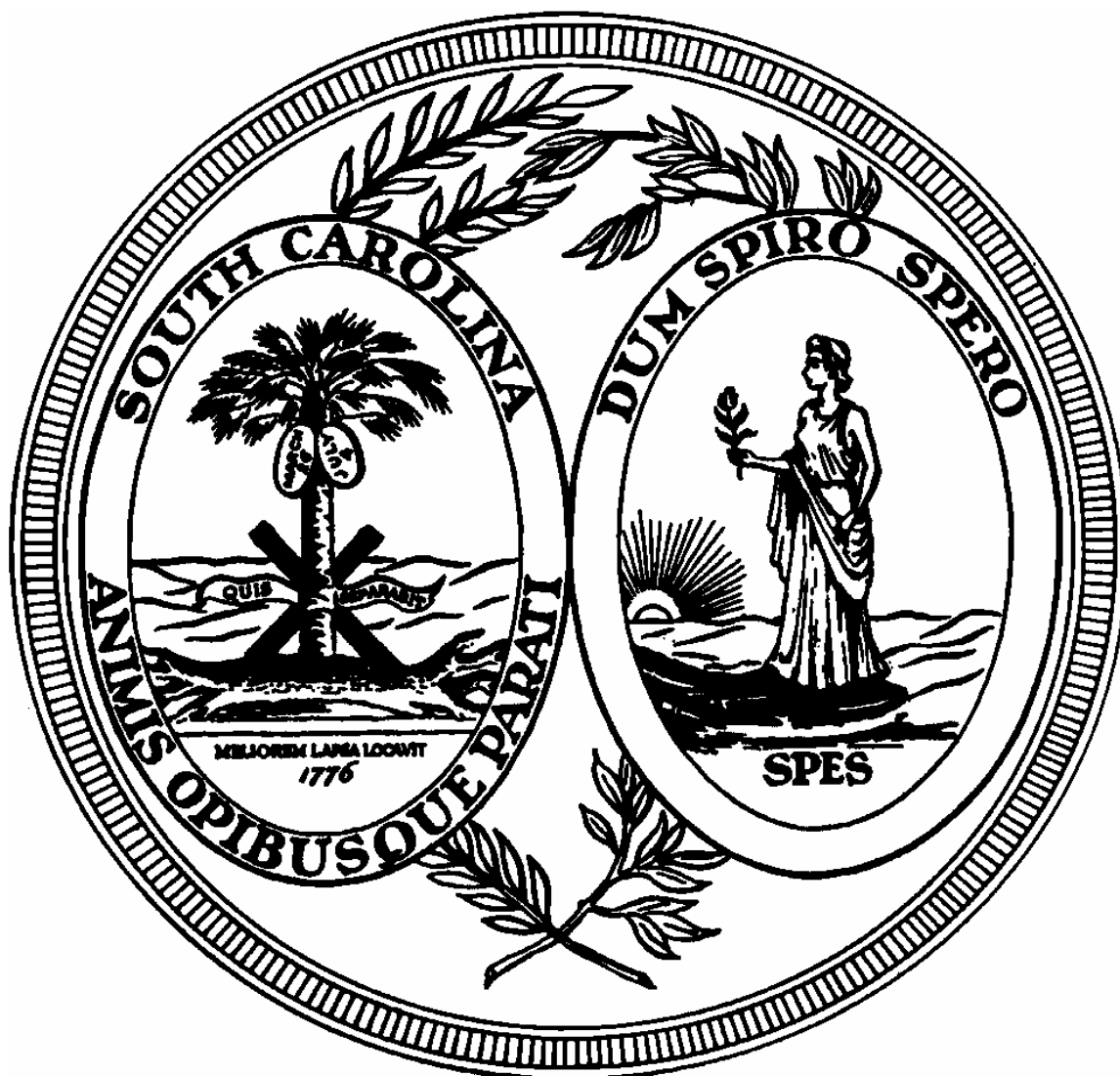
General Reserve Fund Activity**Exhibit D-3****BUDGETARY GENERAL FUND
Last Ten Fiscal Years**

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund (Reserve). The Reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012, that requires the amount in the Reserve to be gradually increased one-half of one percent annually until the Reserve is five percent of the Budgetary General Fund revenue of the previous fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts for the General Reserve Fund for the last ten fiscal years are (dollars in thousands):

| Fiscal Year Ended June 30 | Start-of- Year Balance | Deposits | Withdrawals | End-of-Year Balance | Full-Funding Amount | Actual End-of- Year % Funded |
|--------------------------------------|---------------------------------------|-----------------|--------------------|--------------------------------|--------------------------------|---|
| 2018 | 348,019 | 15,533 | — | 363,552 | 363,552 | 100% |
| 2017 | 327,619 | 20,400 | — | 348,019 | 348,019 | 100% |
| 2016 | 319,479 | 8,140 | — | 327,619 | 327,619 | 100% |
| 2015 | 292,890 | 26,589 | — | 319,479 | 319,479 | 100% |
| 2014 | 281,641 | 11,249 | — | 292,890 | 263,601 | 111% |
| 2013 | 183,466 | 98,175 | — | 281,641 | 225,313 | 125% |
| 2012 | 166,325 | 17,141 | — | 183,466 | 183,466 | 100% |
| 2011 | 110,883 | 55,442 | — | 166,325 | 166,325 | 100% |
| 2010 | — | 110,883 | — | 110,883 | 191,772 | 58% |
| 2009 | 95,123 | 12,974 | (108,097) | — | 199,755 | — |



Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Position—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Position—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

Patients' Compensation Fund. This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

Canteen Fund. This fund accounts for the operations of canteens at various correctional institutions.

Tuition Prepayment Program Fund. This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

Palmetto Railways Fund. The Public Railways Division of the Department of Commerce d/b/a Palmetto Railways consists of two divisions: the Ports Utilities Commission and Port Terminal Railroad, which operates the railroad yard at the Charleston Harbor; and the East Cooper and Berkeley Railroad, which operates the railroad line in Berkeley County.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development of the South Carolina Department of Commerce, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

b. Internal Service Funds

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

Insurance Reserve Fund. This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Employee Insurance Programs Fund. This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

State of South Carolina

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

Prison Industries Fund. This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

Other Internal Service Funds. These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS

June 30, 2018
(Expressed in Thousands)

| | <u>Patients'</u> <u>Compensation</u> | <u>Canteen</u> | <u>Tuition</u> <u>Prepayment</u> <u>Program</u> | <u>Palmetto</u> <u>Railways</u> |
|---|---|----------------|---|------------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents..... | \$ 2,338 | \$ 3,934 | \$ 260 | \$ 10,074 |
| Investments..... | 7,545 | — | 51,931 | — |
| Invested securities lending collateral..... | — | — | — | 1 |
| Receivables, net: | | | | |
| Accounts..... | — | 3 | 360 | 2,260 |
| Participants..... | — | — | 312 | — |
| Accrued interest..... | 50 | — | — | 4 |
| Inventories..... | — | 1,401 | — | 730 |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | — | — | — | 238 |
| Prepaid items..... | 290 | — | — | 246 |
| Total current assets..... | <u>10,223</u> | <u>5,338</u> | <u>52,863</u> | <u>13,553</u> |
| Long-term assets: | | | | |
| Receivables, net: | | | | |
| Participants..... | — | — | 603 | — |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | — | — | — | 35 |
| Non-depreciable capital assets..... | — | — | — | 264,848 |
| Depreciable capital assets, net..... | <u>917</u> | <u>437</u> | <u>—</u> | <u>13,521</u> |
| Total long-term assets..... | <u>917</u> | <u>437</u> | <u>603</u> | <u>278,404</u> |
| Total assets..... | <u>11,140</u> | <u>5,775</u> | <u>53,466</u> | <u>291,957</u> |
| DEFERRED OUTFLOWS OF RESOURCES..... | <u>\$ 108</u> | <u>\$ 828</u> | <u>\$ —</u> | <u>\$ 2,657</u> |

Exhibit E-1

| <u>Other Enterprise</u> | <u>Totals</u> |
|------------------------------------|------------------------|
| \$ 3,281 | \$ 19,887 |
| 30 | 59,506 |
| — | 1 |
| 105 | 2,728 |
| — | 312 |
| — | 54 |
| — | 2,131 |
| — | 238 |
| — | 536 |
| <u>3,416</u> | <u>85,393</u> |
| — | 603 |
| — | 35 |
| 508 | 265,356 |
| <u>981</u> | <u>15,856</u> |
| <u>1,489</u> | <u>281,850</u> |
| <u>4,905</u> | <u>367,243</u> |
| <u>\$ 243</u> | <u>\$ 3,836</u> |

Continued on Next Page

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2018

(Expressed in Thousands)

| | Patients' Compensation | Canteen | Tuition Prepayment Program | Palmetto Railways |
|---|---------------------------|-----------------|----------------------------------|----------------------|
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable..... | \$ — | \$ 498 | \$ 40 | \$ 2,495 |
| Accrued salaries and related expenses..... | 29 | 113 | — | 797 |
| Accrued interest payable..... | — | — | — | 97 |
| Tuition benefits payable..... | — | — | 14,118 | — |
| Policy claims..... | 5,801 | — | — | — |
| Due to other funds..... | — | 52 | — | — |
| Unearned revenues..... | 3,443 | — | — | 54 |
| Deposits..... | — | — | — | 300 |
| Securities lending collateral..... | — | — | — | 1 |
| Revenue bonds payable..... | — | — | — | 180 |
| Compensated absences payable..... | 13 | 82 | — | 173 |
| Other current liabilities | — | — | — | 35 |
| Total current liabilities..... | 9,286 | 745 | 14,158 | 4,132 |
| Long-term liabilities: | | | | |
| Tuition benefits payable..... | — | — | 75,373 | — |
| Policy claims..... | 41,019 | — | — | — |
| Interfund payables..... | — | — | — | 51,000 |
| Other liabilities payable from restricted assets..... | 135 | — | — | — |
| Notes payable..... | — | — | — | 6,500 |
| Revenue bonds payable..... | — | — | — | 5,375 |
| Compensated absences payable..... | — | 100 | — | 66 |
| Net pension liability..... | 612 | 3,771 | — | 10,622 |
| Net OPEB liability..... | 440 | 2,435 | — | — |
| Total long-term liabilities..... | 42,206 | 6,306 | 75,373 | 73,563 |
| Total liabilities..... | 51,492 | 7,051 | 89,531 | 77,695 |
| DEFERRED INFLOWS OF RESOURCES..... | \$ 56 | \$ 345 | \$ — | \$ 7 |
| NET POSITION | | | | |
| Net investment in capital assets..... | \$ 917 | \$ 437 | \$ — | \$ 215,314 |
| Unrestricted..... | (41,217) | (1,230) | (36,065) | 1,598 |
| Total net position (deficit)..... | \$ (40,300) | \$ (793) | \$ (36,065) | \$ 216,912 |

Exhibit E-1

| <u>Other Enterprise</u> | <u>Totals</u> |
|-----------------------------|-------------------|
| \$ 93 | \$ 3,126 |
| 79 | 1,018 |
| — | 97 |
| — | 14,118 |
| — | 5,801 |
| 33 | 85 |
| — | 3,497 |
| — | 300 |
| — | 1 |
| — | 180 |
| 41 | 309 |
| — | 35 |
| <u>246</u> | <u>28,567</u> |
| — | 75,373 |
| — | 41,019 |
| — | 51,000 |
| — | 135 |
| — | 6,500 |
| — | 5,375 |
| 50 | 216 |
| 1,106 | 16,111 |
| 714 | 3,589 |
| <u>1,870</u> | <u>199,318</u> |
| <u>2,116</u> | <u>227,885</u> |
| | |
| <u>\$ 101</u> | <u>\$ 509</u> |
| | |
| \$ 1,489 | \$ 218,157 |
| 1,442 | (75,472) |
| <u>\$ 2,931</u> | <u>\$ 142,685</u> |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | Patients' Compensation | Canteen | Tuition Prepayment Program |
|---|---------------------------|-----------------|----------------------------------|
| Operating revenues: | | | |
| Charges for services..... | \$ 9,228 | \$ 20,847 | \$ — |
| Contributions..... | — | — | 465 |
| Interest and other investment income..... | — | — | 15,136 |
| Other operating revenues..... | — | — | — |
| Total operating revenues..... | 9,228 | 20,847 | 15,601 |
| Operating expenses: | | | |
| General operations and administration..... | 1,580 | 17,432 | 177 |
| Benefits and claims..... | 5,135 | — | — |
| Tuition plan disbursements..... | — | — | 14,683 |
| Depreciation and amortization..... | 127 | 134 | — |
| Other operating expenses..... | — | — | — |
| Total operating expenses..... | 6,842 | 17,566 | 14,860 |
| Operating income (loss)..... | 2,386 | 3,281 | 741 |
| Nonoperating revenues (expenses): | | | |
| Interest income..... | — | — | — |
| Interest expense..... | (9) | — | — |
| Net other nonoperating revenues (expenses)..... | — | — | — |
| Total nonoperating revenues (expenses)..... | (9) | — | — |
| Income (loss) before transfers..... | 2,377 | 3,281 | 741 |
| Transfers in..... | — | — | — |
| Transfers out..... | — | (8,795) | — |
| Change in net position..... | 2,377 | (5,514) | 741 |
| Net position (deficit), at beginning of year, as restated..... | (42,677) | 4,721 | (36,806) |
| Net position (deficit) at end of year..... | \$ (40,300) | \$ (793) | \$ (36,065) |

Exhibit E-2

| Palmetto Railways | Other Enterprise | Totals |
|------------------------------|-----------------------------|-------------------|
| \$ 18,513 | \$ 5,051 | \$ 53,639 |
| — | — | 465 |
| 1 | — | 15,137 |
| 119 | — | 119 |
| 18,633 | 5,051 | 69,360 |
| 16,441 | 3,210 | 38,840 |
| — | — | 5,135 |
| — | — | 14,683 |
| 1,075 | 115 | 1,451 |
| — | 33 | 33 |
| 17,516 | 3,358 | 60,142 |
| 1,117 | 1,693 | 9,218 |
| 34 | — | 34 |
| (97) | — | (106) |
| 4,457 | 51 | 4,508 |
| 4,394 | 51 | 4,436 |
| 5,511 | 1,744 | 13,654 |
| — | 44 | 44 |
| — | — | (8,795) |
| 5,511 | 1,788 | 4,903 |
| 211,401 | 1,143 | 137,782 |
| \$ 216,912 | \$ 2,931 | \$ 142,685 |

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Patients' Compensation | Canteen | Tuition Prepayment Program | Palmetto Railways |
|---|---------------------------|-----------------|----------------------------------|----------------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers, patients, and third-party payers..... | \$ 9,115 | \$ 20,844 | \$ — | \$ 18,437 |
| Tuition plan contributions received..... | — | — | 1,545 | — |
| Claims and benefits paid..... | (6,677) | — | (30,218) | — |
| Payments to suppliers for goods and services..... | (1,450) | (14,853) | — | (12,312) |
| Payments to employees..... | (349) | (1,531) | — | (4,003) |
| Other operating cash receipts..... | — | — | (962) | 419 |
| Net cash provided by (used in) operating activities..... | 639 | 4,460 | (29,635) | 2,541 |
| Cash flows from noncapital financing activities: | | | | |
| Miscellaneous revenue cash receipts | — | 3 | — | 1,738 |
| Transfers in..... | — | — | — | — |
| Transfers out | — | (8,795) | — | — |
| Net cash provided by (used in) noncapital financing activities..... | — | (8,792) | — | 1,738 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets..... | (9) | — | — | (26,607) |
| Proceeds from issuance of note..... | — | — | — | 6,500 |
| Principal payments on capital debt..... | — | — | — | (175) |
| Proceeds from sale or disposal of capital assets..... | — | — | — | 2,898 |
| Net cash provided by (used in) capital and related financing activities..... | (9) | — | — | (17,384) |
| Cash flows from investing activities: | | | | |
| Proceeds from sales and maturities of investments..... | 4,655 | — | 13,877 | — |
| Purchase of investments | (5,357) | — | — | — |
| Interest and dividends on investments..... | 9 | — | 15,136 | 32 |
| Net cash provided by (used in) investing activities..... | (693) | — | 29,013 | 32 |
| Net increase (decrease) in cash and cash equivalents..... | (63) | (4,332) | (622) | (13,073) |
| Cash and cash equivalents at beginning of year..... | 2,401 | 8,266 | 882 | 23,420 |
| Cash and cash equivalents at end of year..... | \$ 2,338 | \$ 3,934 | \$ 260 | \$ 10,347 |

Exhibit E-3

| Other Enterprise | | Totals |
|---------------------|--------------|------------------|
| \$ | 4,950 | \$ 53,346 |
| | — | 1,545 |
| | — | (36,895) |
| | (1,556) | (30,171) |
| | (1,415) | (7,298) |
| | — | (543) |
| | 1,979 | (20,016) |
| | 105 | 1,846 |
| | 44 | 44 |
| | — | (8,795) |
| | 149 | (6,905) |
| | (8) | (26,624) |
| | — | 6,500 |
| | — | (175) |
| | — | 2,898 |
| | (8) | (17,401) |
| | — | 18,532 |
| | (2) | (5,359) |
| | (4) | 15,173 |
| | (6) | 28,346 |
| | 2,114 | (15,976) |
| | 1,167 | 36,136 |
| \$ | 3,281 | \$ 20,160 |

Continued on Next Page

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Patients' Compensation | Canteen | Tuition Prepayment Program | Palmetto Railways |
|--|---------------------------|-----------------|----------------------------------|----------------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss)..... | \$ 2,386 | \$ 3,281 | \$ 741 | \$ 1,117 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 127 | 134 | — | 1,075 |
| Provision for bad debts..... | — | — | — | — |
| Realized gains and losses on sale of assets..... | — | — | — | 2,899 |
| Interest and dividends on investments and interfund loans..... | — | — | (15,136) | (63) |
| Other nonoperating revenues..... | 36 | — | — | — |
| Other nonoperating expenses..... | — | — | — | (9,261) |
| Effect of change in operating assets and liabilities: | | | | |
| Accounts receivable, net..... | — | — | 1,079 | (26) |
| Due from other funds..... | — | — | — | (3) |
| Inventories..... | — | (39) | — | (30) |
| Other assets | 9 | — | — | 348 |
| Deferred outflows..... | (55) | (388) | — | 253 |
| Accounts payable..... | (225) | 490 | (784) | (1,261) |
| Accrued salaries and related expenses..... | 3 | (9) | — | (8) |
| Tuition benefits payable..... | — | — | (15,535) | — |
| Policy claims..... | (1,543) | — | — | — |
| Due to other funds..... | — | (2) | — | — |
| Unearned revenues | (112) | — | — | (41) |
| Compensated absences payable | 3 | (26) | — | (4) |
| Other liabilities..... | (20) | 632 | — | 7,550 |
| Deferred inflows..... | 30 | 387 | — | (4) |
| Net cash provided by (used in) operating activities..... | \$ 639 | \$ 4,460 | \$ (29,635) | \$ 2,541 |
| Noncash capital, investing, and financing activities: | | | | |
| Increase (decrease) in fair value of investments..... | \$ (111) | \$ — | \$ (236) | \$ — |

Exhibit E-3

| <u>Other Enterprise</u> | <u>Totals</u> |
|-----------------------------|--------------------|
| \$ 1,693 | \$ 9,218 |
| 115 | 1,451 |
| (26) | (26) |
| — | 2,899 |
| 4 | (15,195) |
| — | 36 |
| (31) | (9,292) |
| (38) | 1,015 |
| — | (3) |
| — | (69) |
| 156 | 513 |
| (114) | (304) |
| 92 | (1,688) |
| (53) | (67) |
| — | (15,535) |
| — | (1,543) |
| (13) | (15) |
| — | (153) |
| (105) | (132) |
| 185 | 8,347 |
| 114 | 527 |
| <u>\$ 1,979</u> | <u>\$ (20,016)</u> |
| <u>\$ —</u> | <u>\$ (347)</u> |

Combining Statement of Net Position

INTERNAL SERVICE FUNDS

June 30, 2018

(Expressed in Thousands)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services | Motor Pool |
|---|----------------------|-----------------------------------|-------------------|---------------------|---------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents..... | \$ 6,869 | \$ 542,752 | \$ 305,692 | \$ 27,935 | \$ 17,258 |
| Investments..... | — | — | — | 1,741 | — |
| Invested securities lending collateral..... | — | 411 | — | 2 | — |
| Receivables, net: | | | | | |
| Accounts..... | 19,704 | 107,057 | 59,798 | 1,740 | 778 |
| Accrued interest..... | 3,265 | 7 | 1,572 | 11 | — |
| Due from other funds..... | 9,839 | — | — | 3,673 | 276 |
| Due from component units..... | 13,406 | — | — | — | — |
| Inventories..... | — | — | — | 619 | — |
| Prepaid items..... | 18,469 | 1,284 | 21 | 10 | — |
| Total current assets..... | 71,552 | 651,511 | 367,083 | 35,731 | 18,312 |
| Long-term assets: | | | | | |
| Investments..... | 455,833 | — | — | — | — |
| Accounts receivable, net..... | — | — | — | — | — |
| Interfund receivables..... | — | — | — | — | 400 |
| Prepaid items..... | — | — | — | 11 | — |
| Other long-term assets..... | — | — | 181 | — | — |
| Non-depreciable capital assets..... | — | — | — | 6,339 | — |
| Depreciable capital assets, net..... | — | 61 | 134 | 65,164 | 38,424 |
| Total long-term assets..... | 455,833 | 61 | 315 | 71,514 | 38,824 |
| Total assets..... | 527,385 | 651,572 | 367,398 | 107,245 | 57,136 |
| DEFERRED OUTFLOWS OF RESOURCES..... | 4,172 | 3,356 | 941 | 6,328 | 423 |

Exhibit E-4

| Prison Industries | Other Internal Service | Totals |
|------------------------------|---------------------------------------|------------------|
| \$ 4,302 | \$ 1,372 | \$ 906,180 |
| — | — | 1,741 |
| — | — | 413 |
| 735 | — | 189,812 |
| — | — | 4,855 |
| — | — | 13,788 |
| — | — | 13,406 |
| 2,209 | — | 2,828 |
| — | — | 19,784 |
| 7,246 | 1,372 | 1,152,807 |
| — | — | 455,833 |
| 321 | — | 321 |
| — | — | 400 |
| — | — | 11 |
| — | — | 181 |
| — | — | 6,339 |
| 3,916 | — | 107,699 |
| 4,237 | — | 570,784 |
| 11,483 | 1,372 | 1,723,591 |
| 4,405 | 56 | 19,681 |

Continued on Next Page

Combining Statement of Net Position

INTERNAL SERVICE FUNDS (Continued)

June 30, 2018

(Expressed in Thousands)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services | Motor Pool |
|--|----------------------|-----------------------------------|-------------------|---------------------|------------------|
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable..... | \$ 100 | \$ 1 | \$ 102 | \$ 4,037 | \$ 883 |
| Accrued salaries and related expenses..... | 353 | 812 | 290 | 1,289 | 94 |
| Accrued interest payable..... | — | — | — | 4 | 28 |
| Retainages payable..... | — | — | — | 9 | — |
| Intergovernmental payables..... | — | — | — | — | — |
| Policy claims..... | 292,050 | 246,713 | 94,577 | — | — |
| Due to other funds..... | — | — | — | 1,047 | 38 |
| Unearned revenues..... | 79,111 | 21,043 | 64,604 | — | — |
| Deposits..... | — | — | 139 | — | — |
| Securities lending collateral..... | — | 411 | — | 2 | — |
| Notes payable..... | — | — | — | 978 | 4,852 |
| Capital leases payable..... | — | — | 25 | — | — |
| Compensated absences payable..... | 153 | 601 | 160 | 1,072 | 65 |
| Other current liabilities..... | — | — | 3,056 | — | — |
| Total current liabilities..... | <u>371,767</u> | <u>269,581</u> | <u>162,953</u> | <u>8,438</u> | <u>5,960</u> |
| Long-term liabilities: | | | | | |
| Policy claims..... | — | — | 157,413 | — | — |
| Interfund payables..... | — | — | — | 142 | — |
| Notes payable..... | — | — | — | 1,504 | 15,073 |
| Capital leases payable..... | — | — | 55 | — | — |
| Compensated absences payable..... | 79 | 225 | 35 | 546 | 33 |
| Net pension liability..... | 6,947 | 13,479 | 5,491 | 28,301 | 1,887 |
| Net OPEB liability..... | 3,920 | 10,430 | 4,082 | 21,290 | 1,452 |
| Total long-term liabilities..... | <u>10,946</u> | <u>24,134</u> | <u>167,076</u> | <u>51,783</u> | <u>18,445</u> |
| Total liabilities..... | <u>382,713</u> | <u>293,715</u> | <u>330,029</u> | <u>60,221</u> | <u>24,405</u> |
| DEFERRED INFLOWS OF RESOURCES..... | <u>375</u> | <u>993</u> | <u>604</u> | <u>2,871</u> | <u>195</u> |
| NET POSITION | | | | | |
| Net investment in capital assets..... | — | 61 | 54 | 69,021 | 18,499 |
| Restricted: | | | | | |
| Expendable: | | | | | |
| Insurance programs..... | 148,469 | 360,159 | — | — | — |
| Unrestricted..... | — | — | 37,652 | (18,540) | 14,460 |
| Total net position (deficit)..... | <u>\$ 148,469</u> | <u>\$ 360,220</u> | <u>\$ 37,706</u> | <u>\$ 50,481</u> | <u>\$ 32,959</u> |

Exhibit E-4

| <u>Prison Industries</u> | <u>Other Internal Service</u> | <u>Totals</u> |
|------------------------------|---------------------------------------|-------------------|
| \$ 174 | \$ 2 | \$ 5,299 |
| 896 | 9 | 3,743 |
| — | — | 32 |
| — | — | 9 |
| 1 | — | 1 |
| — | — | 633,340 |
| 171 | 4 | 1,260 |
| — | — | 164,758 |
| — | — | 139 |
| — | — | 413 |
| — | — | 5,830 |
| — | — | 25 |
| 247 | 13 | 2,311 |
| — | — | 3,056 |
| <u>1,489</u> | <u>28</u> | <u>820,216</u> |
| — | — | 157,413 |
| — | — | 142 |
| — | — | 16,577 |
| — | — | 55 |
| 126 | 7 | 1,051 |
| 21,544 | 256 | 77,905 |
| <u>5,126</u> | <u>197</u> | <u>46,497</u> |
| <u>26,796</u> | <u>460</u> | <u>299,640</u> |
| <u>28,285</u> | <u>488</u> | <u>1,119,856</u> |
| <u>1,137</u> | <u>27</u> | <u>6,202</u> |
| 3,916 | — | 91,551 |
| — | — | 508,628 |
| (17,450) | 913 | 17,035 |
| <u>\$ (13,534)</u> | <u>\$ 913</u> | <u>\$ 617,214</u> |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services |
|---|----------------------|-----------------------------------|-------------------|---------------------|
| Operating revenues: | | | | |
| Charges for services..... | \$ 125,462 | \$ 2,486,241 | \$ 70,531 | \$ 64,705 |
| Other operating revenues..... | — | 386,795 | — | — |
| Total operating revenues..... | 125,462 | 2,873,036 | 70,531 | 64,705 |
| Operating expenses: | | | | |
| General operations and administration..... | 44,498 | 352,973 | 5,266 | 57,300 |
| Benefits and claims..... | 106,365 | 2,486,176 | 49,722 | 12 |
| Depreciation and amortization..... | — | 126 | 71 | 6,787 |
| Other operating expenses..... | — | — | 99 | 408 |
| Total operating expenses..... | 150,863 | 2,839,275 | 55,158 | 64,507 |
| Operating income (loss)..... | (25,401) | 33,761 | 15,373 | 198 |
| Nonoperating revenues (expenses): | | | | |
| Interest income..... | 4,724 | 9,218 | 2,339 | 73 |
| Contributions..... | — | — | — | 38 |
| Federal grants and contracts..... | — | — | — | 17 |
| Interest expense..... | — | — | — | (72) |
| Net other nonoperating revenues (expenses)..... | 63 | — | 70 | 3,202 |
| Losses on sale of capital assets..... | — | — | — | (2,920) |
| Total nonoperating revenues (expenses)..... | 4,787 | 9,218 | 2,409 | 338 |
| Income (loss) before transfers..... | (20,614) | 42,979 | 17,782 | 536 |
| Transfers in..... | — | — | — | 2,258 |
| Transfers out..... | — | — | — | (7,805) |
| Change in net position..... | (20,614) | 42,979 | 17,782 | (5,011) |
| Net position (deficit), at beginning of year, as restated..... | 169,083 | 317,241 | 19,924 | 55,492 |
| Net position (deficit) at end of year..... | \$ 148,469 | \$ 360,220 | \$ 37,706 | \$ 50,481 |

| Motor Pool | Prison Industries | Other Internal Service | Totals |
|-----------------------|------------------------------|---------------------------------------|-------------------|
| \$ 32,333 | \$ 17,149 | \$ 3,093 | \$ 2,799,514 |
| — | — | — | 386,795 |
| 32,333 | 17,149 | 3,093 | 3,186,309 |
| 20,114 | 30,973 | 931 | 512,055 |
| — | — | — | 2,642,275 |
| 10,530 | 282 | — | 17,796 |
| 1 | 2 | — | 510 |
| 30,645 | 31,257 | 931 | 3,172,636 |
| 1,688 | (14,108) | 2,162 | 13,673 |
| — | — | — | 16,354 |
| — | — | — | 38 |
| — | — | — | 17 |
| (300) | — | — | (372) |
| 2,152 | 1,709 | (2,763) | 4,433 |
| (377) | — | — | (3,297) |
| 1,475 | 1,709 | (2,763) | 17,173 |
| 3,163 | (12,399) | (601) | 30,846 |
| — | — | — | 2,258 |
| (2,329) | — | — | (10,134) |
| 834 | (12,399) | (601) | 22,970 |
| 32,125 | (1,135) | 1,514 | 594,244 |
| \$ 32,959 | \$ (13,534) | \$ 913 | \$ 617,214 |

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services |
|--|----------------------|-----------------------------------|-------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers..... | \$ 78,388 | \$ 2,489,101 | \$ 13,041 | \$ — |
| Internal activity—payments from other funds..... | 58,360 | — | 57,157 | 65,918 |
| Other operating cash receipts..... | — | 440,870 | — | — |
| Claims paid..... | (97,050) | (104,573) | (48,526) | — |
| Payments to suppliers for goods and services..... | (40,651) | (2,700,674) | (1,236) | (33,589) |
| Payments to employees..... | (3,491) | (9,191) | (3,490) | (20,361) |
| Internal activity—payments to other funds..... | — | — | (3,277) | — |
| Other operating cash payments..... | — | — | — | — |
| Net cash provided by (used in) operating activities..... | (4,444) | 115,533 | 13,669 | 11,968 |
| Cash flows from noncapital financing activities: | | | | |
| Payment of bond issuance costs for other funds..... | — | — | — | — |
| Miscellaneous revenue cash receipts | 63 | — | — | 3,291 |
| Transfers in..... | — | — | — | 2,258 |
| Transfers out..... | — | — | — | (7,805) |
| Net cash provided by (used in) noncapital financing activities..... | 63 | — | — | (2,256) |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets..... | — | (76) | (6) | (948) |
| Proceeds from issuance of capital debt..... | — | — | — | — |
| Principal payments on capital debt..... | — | — | — | (3,218) |
| Interest payments on capital debt..... | — | — | — | (130) |
| Proceeds from sale or disposal of capital assets..... | — | — | — | — |
| Net cash used in capital and related financing activities..... | — | (76) | (6) | (4,296) |
| Cash flows from investing activities: | | | | |
| Proceeds from sales and maturities of investments..... | 145,497 | — | — | — |
| Purchase of investments..... | (155,529) | — | — | (177) |
| Interest on investments..... | 10,658 | 9,278 | 1,478 | 69 |
| Net cash provided by (used in) investing activities..... | 626 | 9,278 | 1,478 | (108) |
| Net increase (decrease) in cash and cash equivalents..... | (3,755) | 124,735 | 15,141 | 5,308 |
| Cash and cash equivalents at beginning..... | 10,624 | 418,017 | 290,551 | 22,627 |
| Cash and cash equivalents at end of year..... | \$ 6,869 | \$ 542,752 | \$ 305,692 | \$ 27,935 |

Exhibit E-6

| Motor Pool | Prison Industries | Other Internal Service | Totals |
|-----------------------|------------------------------|---------------------------------------|-------------------|
| \$ — | \$ 17,356 | \$ — | \$ 2,597,886 |
| 32,266 | — | 3,095 | 216,796 |
| — | — | — | 440,870 |
| — | — | — | (250,149) |
| (18,521) | (4,717) | (558) | (2,799,946) |
| (1,367) | (13,410) | (186) | (51,496) |
| — | — | — | (3,277) |
| (1) | — | — | (1) |
| 12,377 | (771) | 2,351 | 150,683 |
| — | — | (2,762) | (2,762) |
| 721 | 1,708 | — | 5,783 |
| — | — | — | 2,258 |
| (2,329) | — | — | (10,134) |
| (1,608) | 1,708 | (2,762) | (4,855) |
| (17,231) | (111) | — | (18,372) |
| 12,890 | — | — | 12,890 |
| (3,543) | — | — | (6,761) |
| (27) | — | — | (157) |
| 1,382 | — | — | 1,382 |
| (6,529) | (111) | — | (11,018) |
| — | — | — | 145,497 |
| — | — | — | (155,706) |
| — | — | — | 21,483 |
| — | — | — | 11,274 |
| 4,240 | 826 | (411) | 146,084 |
| 13,018 | 3,476 | 1,783 | 760,096 |
| \$ 17,258 | \$ 4,302 | \$ 1,372 | \$ 906,180 |

Continued on Next Page

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

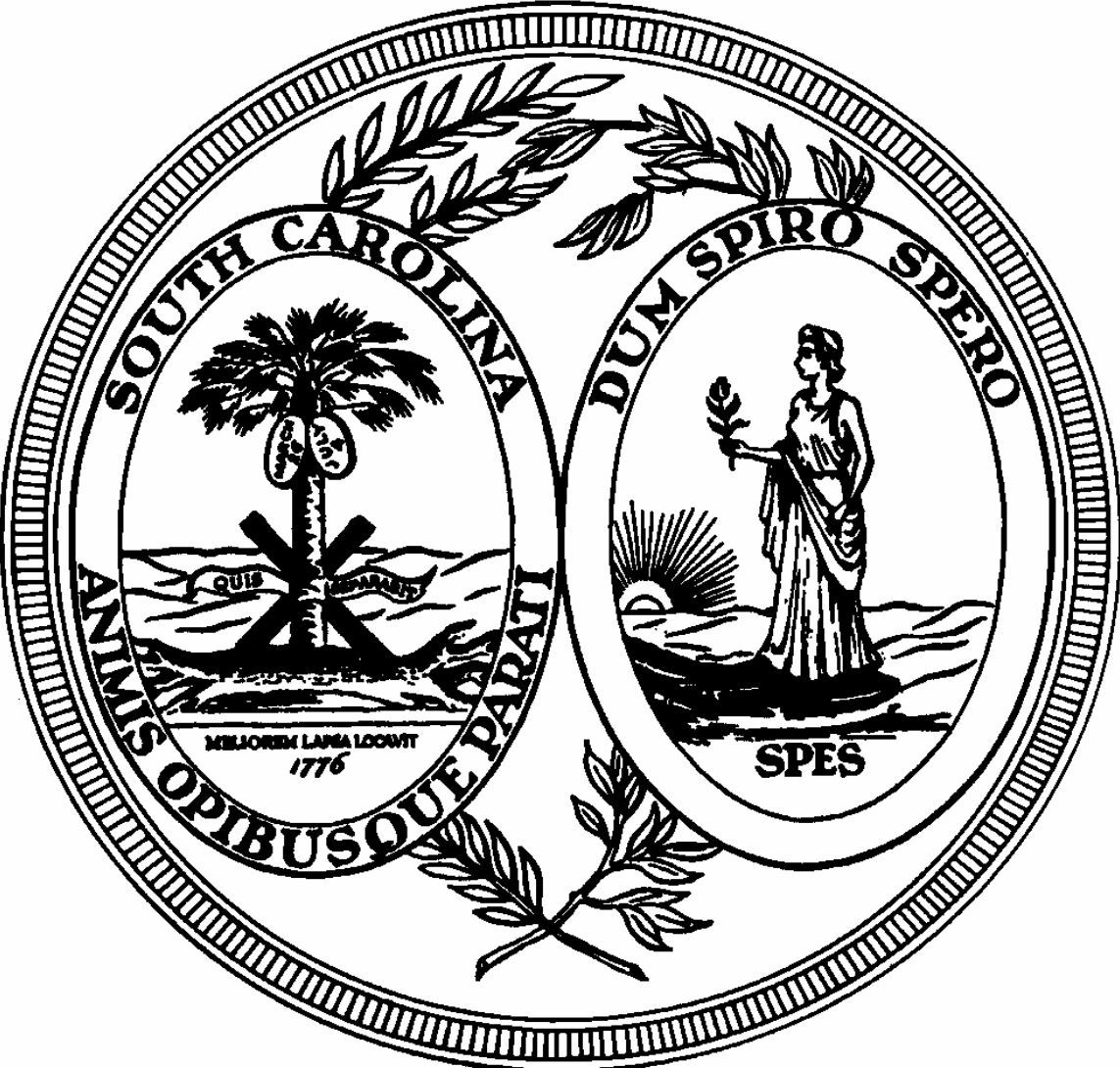
For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services |
|--|----------------------|-----------------------------------|-------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss)..... | \$ (25,401) | \$ 33,761 | \$ 15,373 | \$ 198 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization..... | — | 126 | 71 | 6,787 |
| Interest payments reclassified as capital and related financing activities..... | — | — | — | (72) |
| Interest and dividends on investments and interfund loans..... | — | — | — | 72 |
| Realized losses on sale of assets..... | — | — | — | (2,920) |
| Other nonoperating revenues..... | — | — | 31 | 2,960 |
| Effect of change in operating assets and liabilities: | | | | |
| Accounts receivable, net..... | — | 54,517 | (537) | (276) |
| Due from other funds | (951) | — | — | 1,490 |
| Inventories..... | — | — | — | (105) |
| Other assets..... | (1,561) | (53) | 401 | 1 |
| Deferred outflows..... | 565 | (558) | (198) | (2,159) |
| Accounts payable..... | 86 | (480) | (103) | 2,751 |
| Accrued salaries and related expenses..... | 63 | 61 | 3 | 18 |
| Policy claims..... | 9,315 | 24,096 | (2,024) | — |
| Due to other funds..... | — | — | — | 244 |
| Unearned revenues | 12,151 | 2,417 | (322) | — |
| Compensated absences payable..... | (40) | (81) | (26) | (500) |
| Other liabilities..... | 961 | 747 | 700 | 515 |
| Deferred inflows..... | 368 | 980 | 300 | 2,964 |
| Net cash provided by (used in) operating activities..... | \$ (4,444) | \$ 115,533 | \$ 13,669 | \$ 11,968 |
| Noncash capital, investing, and financing activities: | | | | |
| Disposal of capital assets..... | \$ — | \$ — | \$ — | \$ 9,222 |
| Borrowing under capital leases..... | — | — | (80) | — |
| Increase in fair value of investments..... | (6,689) | (492) | (352) | — |
| Total noncash capital, investing, and financing activities..... | \$ (6,689) | \$ (492) | \$ (432) | \$ 9,222 |

Exhibit E-6

| <u>Motor Pool</u> | <u>Prison Industries</u> | <u>Other Internal Service</u> | <u>Totals</u> |
|-------------------------|------------------------------|---------------------------------------|--------------------------|
| \$ 1,688 | \$ (14,108) | \$ 2,162 | \$ 13,673 |
| 10,530 | 282 | — | 17,796 |
| — | — | — | (72) |
| — | — | — | 72 |
| (377) | — | — | (3,297) |
| — | — | — | 2,991 |
| (84) | 207 | — | 53,827 |
| 8 | — | 2 | 549 |
| — | (111) | — | (216) |
| — | — | — | (1,212) |
| (164) | (4,316) | (67) | (6,897) |
| 438 | 163 | — | 2,855 |
| 19 | (20) | (12) | 132 |
| — | — | — | 31,387 |
| 6 | (1) | (3) | 246 |
| — | — | — | 14,246 |
| (26) | (130) | 3 | (800) |
| 133 | 15,245 | 226 | 18,527 |
| 206 | 2,018 | 40 | 6,876 |
| <u><u>\$ 12,377</u></u> | <u><u>\$ (771)</u></u> | <u><u>\$ 2,351</u></u> | <u><u>\$ 150,683</u></u> |
| \$ 7,736 | \$ 53 | \$ — | \$ 17,011 |
| — | — | — | (80) |
| — | — | — | (7,533) |
| <u><u>\$ 7,736</u></u> | <u><u>\$ 53</u></u> | <u><u>\$ —</u></u> | <u><u>\$ 9,398</u></u> |



Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's fiduciary funds:

- Combining Statement of Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

a. Pension and Other Post-Employment Benefit Trust Funds

South Carolina Retirement System. This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

Police Officers' Retirement System. This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

General Assembly Retirement System. This is a single-employer pension system that benefits members of the South Carolina General Assembly.

Judges' and Solicitors' Retirement System. This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

National Guard Retirement System. The State administers this single-employer pension system that provides a supplemental retirement benefit to members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

South Carolina Retiree Health Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

Long-term Disability Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

b. Private-Purpose Trust Funds

College Savings Plan Fund. The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

Other Private-Purpose Trust Funds. This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

c. Agency Funds

Agency Funds are used to account for resources held by the State in a short-term custodial capacity for individuals, private organizations, and other governments. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, miscellaneous clearing accounts, and other deposits.

Combining Statement of Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2018

(Expressed in Thousands)

| | PENSION TRUST | | | | |
|--|---|---|---|---|---|
| | South Carolina Retirement System | Police Officers' Retirement System | General Assembly Retirement System | Judges' and Solicitors' Retirement System | National Guard Retirement System |
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 2,002,590 | \$ 331,698 | \$ 5,389 | \$ 13,768 | \$ 4,648 |
| Receivables: | | | | | |
| Contributions..... | 303,213 | 32,357 | 32 | 810 | — |
| Accrued interest..... | 39,429 | 6,763 | 49 | 236 | 42 |
| Unsettled investment sales..... | 520,220 | 89,148 | 592 | 3,081 | 502 |
| Other investment receivables..... | 986 | 169 | 1 | 6 | 1 |
| Total receivables..... | 863,848 | 128,437 | 674 | 4,133 | 545 |
| Due from other funds..... | — | 278 | — | — | — |
| Investments, at fair value: | | | | | |
| Short-term investments..... | 497,097 | 85,186 | 566 | 2,944 | 479 |
| Debt-domestic..... | 4,482,965 | 768,228 | 5,104 | 26,549 | 4,322 |
| Equity-international..... | 11,761,071 | 2,015,451 | 13,391 | 69,650 | 11,338 |
| Alternatives..... | 8,054,600 | 1,380,287 | 9,170 | 47,700 | 7,765 |
| Financial and other..... | — | — | — | — | — |
| Total investments..... | 24,795,733 | 4,249,152 | 28,231 | 146,843 | 23,904 |
| Invested securities lending collateral..... | 29,348 | 5,029 | 33 | 174 | 28 |
| Capital assets, net..... | 2,126 | 220 | 6 | 10 | — |
| Prepaid items..... | 3,075 | 492 | 4 | 18 | 3 |
| Total assets..... | 27,696,720 | 4,715,306 | 34,337 | 164,946 | 29,128 |
| LIABILITIES | | | | | |
| Accounts payable..... | 10,783 | 1,848 | 12 | 64 | 10 |
| Accounts payable—unsettled investment purchases..... | 728,900 | 124,909 | 830 | 4,317 | 703 |
| Policy claims..... | — | — | — | — | — |
| Due to other funds..... | 66,065 | 1,282 | — | — | — |
| Deferred retirement benefits..... | 377,263 | — | — | — | — |
| Securities lending collateral..... | 69,180 | 11,855 | 79 | 410 | 67 |
| Other liabilities..... | 29,613 | 4,981 | 22 | 119 | 21 |
| Total liabilities..... | 1,281,804 | 144,875 | 943 | 4,910 | 801 |
| NET POSITION | | | | | |
| Held in trust for pension and other post-employment benefits..... | <u>\$ 26,414,916</u> | <u>\$ 4,570,431</u> | <u>\$ 33,394</u> | <u>\$ 160,036</u> | <u>\$ 28,327</u> |

| OPEB TRUST | | |
|---|--|----------------------|
| South Carolina Retiree Health Insurance Trust Fund | Long-term Disability Insurance Trust Fund | Totals |
| \$ 9,415 | \$ 980 | \$ 2,368,488 |
| — | — | 336,412 |
| 7,195 | 298 | 54,012 |
| — | — | 613,543 |
| — | — | 1,163 |
| 7,195 | 298 | 1,005,130 |
| 67,069 | — | 67,347 |
| — | — | 586,272 |
| 1,036,786 | 30,286 | 6,354,240 |
| — | — | 13,870,901 |
| — | — | 9,499,522 |
| 96,224 | 5,164 | 101,388 |
| 1,133,010 | 35,450 | 30,412,323 |
| 7,386 | 728 | 42,726 |
| — | — | 2,362 |
| — | — | 3,592 |
| 1,224,075 | 37,456 | 33,901,968 |
| — | — | 12,717 |
| — | — | 859,659 |
| — | 512 | 512 |
| — | — | 67,347 |
| — | — | 377,263 |
| 7,544 | 744 | 89,879 |
| — | — | 34,756 |
| 7,544 | 1,256 | 1,442,133 |
| \$ 1,216,531 | \$ 36,200 | \$ 32,459,835 |

Combining Statement of Changes in Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

| | PENSION TRUST | | | | |
|---|---|---|---|---|---|
| | South Carolina Retirement System | Police Officers' Retirement System | General Assembly Retirement System | Judges' and Solicitors' Retirement System | National Guard Retirement System |
| Additions: | | | | | |
| Contributions: | | | | | |
| Employer..... | \$ 1,300,832 | \$ 211,806 | \$ 5,428 | \$ 11,043 | \$ 4,814 |
| Employee..... | 868,681 | 138,652 | 287 | 3,016 | — |
| Nonemployer..... | 104,974 | 13,122 | — | — | — |
| Total contributions..... | 2,274,487 | 363,580 | 5,715 | 14,059 | 4,814 |
| Investment income: | | | | | |
| Interest income and net appreciation in investments..... | 2,302,681 | 385,492 | 2,737 | 13,592 | 2,205 |
| Securities lending income..... | 1,693 | 286 | 2 | 10 | 2 |
| Total investment income..... | 2,304,374 | 385,778 | 2,739 | 13,602 | 2,207 |
| Less investment expense: | | | | | |
| Investment expense..... | 317,426 | 54,249 | 363 | 1,879 | 305 |
| Securities lending expense..... | — | — | — | — | — |
| Net investment income..... | 1,986,948 | 331,529 | 2,376 | 11,723 | 1,902 |
| Assets moved between pension trust funds..... | — | 1,534 | — | — | — |
| Total additions..... | 4,261,435 | 696,643 | 8,091 | 25,782 | 6,716 |
| Deductions: | | | | | |
| Regular retirement benefits..... | 2,718,718 | 369,536 | 6,452 | 17,655 | 4,411 |
| Supplemental retirement benefits..... | 355 | 13 | — | — | — |
| Deferred retirement benefits..... | 707,932 | — | — | — | — |
| Refunds of retirement contributions to members..... | 113,867 | 23,899 | — | — | — |
| Death benefit claims..... | 22,284 | 2,751 | 16 | 156 | — |
| Accidental death benefits..... | — | 1,734 | — | — | — |
| Other post-employment benefits..... | — | — | — | — | — |
| Depreciation..... | 190 | 25 | — | 1 | — |
| Administrative expense..... | 14,468 | 2,377 | 18 | 85 | 14 |
| Assets moved between pension trust funds..... | 1,534 | — | — | — | — |
| Total deductions..... | 3,579,348 | 400,335 | 6,486 | 17,897 | 4,425 |
| Change in net position | 682,087 | 296,308 | 1,605 | 7,885 | 2,291 |
| Net position at beginning of year..... | 25,732,829 | 4,274,123 | 31,789 | 152,151 | 26,036 |
| Net position at end of year..... | \$ 26,414,916 | \$ 4,570,431 | \$ 33,394 | \$ 160,036 | \$ 28,327 |

| OPEB TRUST | | |
|---|--|----------------------|
| South Carolina Retiree Health Insurance Trust Fund | Long-term Disability Insurance Trust Fund | Totals |
| \$ 460,478 | \$ 7,480 | \$ 2,001,881 |
| — | — | 1,010,636 |
| 106,949 | — | 225,045 |
| 567,427 | 7,480 | 3,237,562 |
| 467 | 51 | 2,707,225 |
| 54 | 2 | 2,049 |
| 521 | 53 | 2,709,274 |
| — | — | 374,222 |
| 5 | — | 5 |
| 516 | 53 | 2,335,047 |
| — | — | 1,534 |
| 567,943 | 7,533 | 5,574,143 |
| — | — | 3,116,772 |
| — | — | 368 |
| — | — | 707,932 |
| — | — | 137,766 |
| — | — | 25,207 |
| — | — | 1,734 |
| 466,122 | 8,020 | 474,142 |
| — | — | 216 |
| 65 | 10 | 17,037 |
| — | — | 1,534 |
| 466,187 | 8,030 | 4,482,708 |
| 101,756 | (497) | 1,091,435 |
| 1,114,775 | 36,697 | 31,368,400 |
| \$ 1,216,531 | \$ 36,200 | \$ 32,459,835 |

Combining Statement of Fiduciary Net Position**Exhibit F-3**

PRIVATE-PURPOSE TRUST FUNDS

June 30, 2018

(Expressed in Thousands)

| | College Savings Plan | Other Private-Purpose Trust | Totals |
|---|-------------------------|-----------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 963 | \$ 13,564 | \$ 14,527 |
| Receivables, net: | | | |
| Accrued interest..... | 2,530 | 31 | 2,561 |
| Unsettled investment sales..... | 6,793 | — | 6,793 |
| Investments..... | 3,549,399 | 4,504 | 3,553,903 |
| Invested securities lending collateral | — | 3 | 3 |
| Other assets..... | — | 4,464 | 4,464 |
| Total assets..... | 3,559,685 | 22,566 | 3,582,251 |
| LIABILITIES | | | |
| Accounts payable..... | 2,125 | 9 | 2,134 |
| Accounts payable—unsettled investment purchases..... | 6,359 | — | 6,359 |
| Securities lending collateral..... | — | 3 | 3 |
| Total liabilities..... | 8,484 | 12 | 8,496 |
| NET POSITION | | | |
| Held in trust for other purposes..... | \$ 3,551,201 | \$ 22,554 | \$ 3,573,755 |

Combining Statement of Changes in Fiduciary Net Position

Exhibit F-4

PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | College Savings Plan | Other Private-Purpose Trust | Totals |
|---|-------------------------|-----------------------------------|---------------------|
| Additions: | | | |
| Licenses, fees, and permits..... | \$ — | \$ 63 | \$ 63 |
| Tuition plan deposits..... | 700 | 26 | 726 |
| Contributions..... | 258,517 | 5,406 | 263,923 |
| Interest income..... | 230,252 | 34 | 230,286 |
| Total additions..... | 489,469 | 5,529 | 494,998 |
| Deductions: | | | |
| Administrative expense..... | 12,097 | 65 | 12,162 |
| Other expenses..... | 600 | 985 | 1,585 |
| Total deductions..... | 12,697 | 1,050 | 13,747 |
| Change in net position..... | 476,772 | 4,479 | 481,251 |
| Net position at beginning of year..... | 3,074,429 | 18,075 | 3,092,504 |
| Net position at end of year..... | \$ 3,551,201 | \$ 22,554 | \$ 3,573,755 |

Combining Statement of Changes in Assets and Liabilities

Exhibit F-5

AGENCY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Assets: | | | | |
| Cash and cash equivalents..... | \$ 474,015 | \$ 34,560,758 | \$ 34,641,836 | \$ 392,937 |
| Accounts receivable..... | 4,667 | 242,409 | 234,065 | 13,011 |
| Accrued interest receivable..... | 1,467 | 2,392 | 1,528 | 2,331 |
| Taxes receivable..... | 590 | 4,754 | 4,596 | 748 |
| Loans and notes receivable..... | 51 | 51 | 89 | 13 |
| Due from other funds..... | 13,313 | 202,113 | 204,253 | 11,173 |
| Investments..... | 15,116 | 45,092 | 41,568 | 18,640 |
| Invested securities lending collateral..... | 876 | 15,870 | 16,563 | 183 |
| Total assets..... | \$ 510,095 | \$ 35,073,439 | \$ 35,144,498 | \$ 439,036 |
| Liabilities: | | | | |
| Accounts payable..... | \$ 24,199 | \$ 2,785,897 | \$ 2,770,572 | \$ 39,524 |
| Due to other funds..... | — | 42,560 | 42,560 | — |
| Intergovernmental payables..... | 34,993 | 104,296 | 106,853 | 32,436 |
| Deposits..... | 3,320 | 596 | 840 | 3,076 |
| Amounts held in custody for others..... | 446,334 | 361,349 | 444,129 | 363,554 |
| Securities lending collateral..... | 1,247 | 21,385 | 22,449 | 183 |
| Due to participants..... | 2 | 43 | 28 | 17 |
| Other liabilities..... | — | 246 | — | 246 |
| Total liabilities..... | \$ 510,095 | \$ 3,316,372 | \$ 3,387,431 | \$ 439,036 |

Nonmajor Discretely Presented Component Units

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Position—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units

The following entities are nonmajor discretely presented component units of the State:

The following universities are nonmajor component units: *The Citadel*, *Coastal Carolina University*, *College of Charleston*, *Francis Marion University*, *Lander University*, *South Carolina State University*, and *Winthrop University*.

The following technical colleges are nonmajor component units: *Aiken Technical College*, *Central Carolina Technical College*, *Denmark Technical College*, *Florence-Darlington Technical College*, *Greenville Technical College*, *Horry-Georgetown Technical College*, *Technical College of the Lowcountry*, *Midlands Technical College*, *Northeastern Technical College*, *Orangeburg-Calhoun Technical College*, *Piedmont Technical College*, *Spartanburg Community College*, *Tri-county Technical College*, *Trident Technical College*, *Williamsburg Technical College*, and *York Technical College*.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County.

The *South Carolina Education Assistance Authority* issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings.

The *South Carolina Jobs-Economic Development Authority* is a legally separate entity that promotes and develops business and economic welfare in the state.

The *South Carolina Research Authority* was created through an act of the General Assembly for the development and marketing of a statewide system of research and technology-based infrastructure and to conduct applied research and commercialization services on a contractual basis.

The *Patriots Point Development Authority* was established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association* was established to provide medical malpractice insurance on a self-supporting basis.

The *South Carolina First Steps to School Readiness* is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

The *Children's Trust Fund of South Carolina, Inc.* is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations.

Combining Statement of Net Position

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

| | The Citadel | Coastal Carolina University | College of Charleston | Francis Marion University | Lander University | South Carolina State University |
|---|-------------------|-----------------------------------|-----------------------------|---------------------------------|----------------------|--|
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 49,720 | \$ 52,241 | \$ 60,105 | \$ 22,392 | \$ 9,742 | \$ 13,767 |
| Investments..... | 116,141 | — | 6,748 | 4,851 | 13,769 | 117 |
| Invested securities lending collateral..... | 25 | 49 | 54 | 7 | 4 | 4 |
| Receivables, net: | | | | | | |
| Accounts..... | 11,300 | 4,885 | 907 | 833 | 173 | 1,042 |
| Contributions..... | 17,858 | — | 7,492 | 29 | 2 | — |
| Accrued interest..... | 91 | 387 | 156 | 64 | 151 | — |
| Student accounts..... | 1,179 | 930 | 1,033 | 571 | 601 | 4,290 |
| Loans and notes..... | — | — | — | — | 89 | — |
| Due from Federal government and other grantors..... | 2,145 | 6,839 | 5,361 | 679 | 1,105 | 2,237 |
| Due from primary government..... | — | — | — | 1,016 | — | 512 |
| Inventories..... | 2,074 | 518 | 258 | — | 510 | — |
| Restricted assets: | | | | | | |
| Cash and cash equivalents..... | 14,602 | 55,589 | 97,810 | 5,923 | 3,944 | 25,110 |
| Investments..... | 179,267 | 554 | 100,274 | 21,825 | 2,013 | — |
| Loans receivable..... | 510 | 1,094 | 1,393 | 1,813 | 1,259 | 3,111 |
| Other..... | 1,310 | — | — | — | — | — |
| Prepaid items..... | 1,031 | 2,685 | 6,133 | 954 | 247 | 168 |
| Other assets..... | 9,800 | — | 1,168 | — | 155 | 4,049 |
| Capital assets-nondepreciable..... | 7,767 | 55,509 | 65,995 | 7,181 | 9,636 | 3,530 |
| Capital assets-depreciable, net..... | 116,771 | 409,756 | 361,597 | 85,603 | 73,119 | 105,672 |
| Total assets..... | 531,591 | 591,036 | 716,484 | 153,741 | 116,519 | 163,609 |
| DEFERRED OUTFLOWS OF RESOURCES..... | \$ 14,655 | \$ 39,490 | \$ 32,788 | \$ 10,617 | \$ 8,500 | \$ 9,741 |
| LIABILITIES | | | | | | |
| Accounts payable..... | \$ 11,290 | \$ 3,128 | \$ 5,564 | \$ 664 | \$ 734 | \$ 4,167 |
| Accrued salaries and related expenses..... | 2,504 | 12,016 | 8,890 | 365 | 710 | 1,438 |
| Accrued interest payable..... | 281 | 1,045 | 1,995 | 402 | 176 | 426 |
| Retainages payable..... | 115 | 242 | 1,827 | — | 13 | 10 |
| Intergovernmental payables..... | — | — | — | — | — | — |
| Due to primary government..... | — | 1,644 | 1,435 | — | 364 | 7,426 |
| Unearned revenues and deferred credits..... | 4,525 | 3,632 | 4,657 | 584 | 2,805 | 1,242 |
| Deposits..... | 3,177 | — | 2,284 | — | — | — |
| Amounts held in custody for others..... | 5,818 | 240 | 222 | 233 | 5 | 585 |
| Securities lending collateral..... | 25 | 49 | 54 | 7 | 4 | 4 |
| Liabilities payable from restricted assets..... | — | — | — | — | — | — |
| Other liabilities..... | 11,345 | 1,822 | 1,737 | 1,677 | 1,706 | 859 |
| Long-term liabilities: | | | | | | |
| Due within one year..... | 3,389 | 9,697 | 11,616 | 2,486 | 3,004 | 4,899 |
| Due in more than one year..... | 176,869 | 548,365 | 538,282 | 135,391 | 107,522 | 146,838 |
| Total liabilities..... | 219,338 | 581,880 | 578,563 | 141,809 | 117,043 | 167,894 |
| DEFERRED INFLOWS OF RESOURCES..... | \$ 7,381 | \$ 14,372 | \$ 21,796 | \$ 6,083 | \$ 3,442 | \$ 13,790 |
| NET POSITION | | | | | | |
| Net investment in capital assets..... | 104,531 | 232,727 | 214,997 | 66,471 | 49,957 | 53,378 |
| Restricted: | | | | | | |
| Expendable: | | | | | | |
| Education..... | 107,426 | — | 54,947 | 15,957 | 12,036 | 17,305 |
| Transportation..... | — | — | — | — | — | — |
| Capital projects..... | 8,998 | 37,930 | 57,546 | 1,371 | 664 | 393 |
| Debt service..... | 33 | 1,945 | 8,665 | — | 1,365 | 6,990 |
| Loan programs..... | — | — | — | — | — | — |
| Other..... | — | — | — | — | — | — |
| Nonexpendable: | | | | | | |
| Education..... | 119,846 | 157 | 60,807 | 14,946 | 4,872 | 906 |
| Unrestricted..... | (21,307) | (238,485) | (248,049) | (82,279) | (64,360) | (87,306) |
| Total net position (deficit)..... | \$ 319,527 | \$ 34,274 | \$ 148,913 | \$ 16,466 | \$ 4,534 | \$ (8,334) |

Exhibit G-1

| Winthrop University | Aiken Technical College | Central Carolina Technical College | Denmark Technical College | Florence-Darlington Technical College | Greenville Technical College | Horry-Georgetown Technical College | Technical College of the Lowcountry | Midlands Technical College | Northeastern Technical College | Orangeburg-Calhoun Technical College | Piedmont Technical College |
|---------------------|-------------------------|------------------------------------|---------------------------|---------------------------------------|------------------------------|------------------------------------|-------------------------------------|----------------------------|--------------------------------|--------------------------------------|----------------------------|
| \$ 23,516 | \$ 19,138 | \$ 6,228 | \$ 1,057 | \$ 2,026 | \$ 32,818 | \$ 22,030 | \$ 11,687 | \$ 11,345 | \$ 2,461 | \$ 6,155 | \$ 23,885 |
| — | — | 1,917 | — | — | 27,588 | 26,435 | — | 56,325 | — | 3,598 | 4,209 |
| 23 | — | — | — | — | — | — | — | 5 | — | — | — |
| 1,155 | 300 | — | 121 | 1,301 | 203 | — | 234 | 1,006 | 52 | 278 | 2 |
| — | — | — | — | — | 1,163 | — | — | — | — | — | 57 |
| 68 | 79 | 12 | — | — | 110 | 100 | 11 | — | — | 13 | — |
| 2,852 | 679 | 619 | 90 | 2,692 | 132 | 5,445 | 2,782 | 3,712 | 1,703 | 108 | 869 |
| — | — | — | — | — | 406 | 51 | 241 | — | — | — | — |
| 1,135 | 1,099 | 738 | 901 | 700 | 2,467 | 2,489 | 818 | 873 | 908 | 665 | 145 |
| 1,105 | — | — | 2,900 | — | 3,338 | 2,181 | — | 161 | 166 | 2,001 | 424 |
| 359 | 503 | 255 | 97 | 1,211 | 2,586 | — | 159 | — | 83 | 171 | — |
| 14,634 | 19 | 5,497 | — | 10,558 | 3,326 | 169 | 6 | 5,908 | 407 | — | — |
| 57,045 | — | 243 | — | — | — | — | — | — | — | — | 1,034 |
| 2,268 | — | — | — | 232 | — | — | — | — | — | — | — |
| — | — | — | — | — | 2,316 | — | — | — | — | — | — |
| 1,502 | 129 | 593 | — | 147 | 64 | 125 | 75 | 403 | 24 | 152 | 167 |
| — | — | — | — | — | — | — | — | — | — | 4 | — |
| 5,738 | 1,312 | 1,896 | 188 | 3,478 | 24,270 | 7,071 | 3,587 | 5,431 | 1,582 | 5,558 | 3,560 |
| 95,080 | 23,665 | 38,308 | 4,202 | 45,745 | 117,713 | 70,729 | 13,473 | 78,056 | 7,344 | 12,037 | 28,274 |
| 206,480 | 46,923 | 56,306 | 9,556 | 68,090 | 218,500 | 136,825 | 33,073 | 163,225 | 14,730 | 30,740 | 62,626 |
| \$ 21,787 | \$ 3,311 | \$ 5,515 | \$ 1,801 | \$ 8,046 | \$ 17,101 | \$ 7,975 | \$ 3,497 | \$ 19,338 | \$ 1,414 | \$ 4,494 | \$ 6,436 |
| \$ 2,015 | \$ 387 | \$ 132 | \$ 232 | \$ 88 | \$ 2,092 | \$ 1,384 | \$ 178 | \$ 1,951 | \$ 53 | \$ 1,006 | \$ 388 |
| 3,792 | 62 | 586 | 119 | 811 | 1,781 | 1,322 | 616 | 3,012 | 102 | 318 | 480 |
| 471 | — | 12 | — | 174 | 300 | — | 8 | 271 | — | — | — |
| 41 | — | — | — | — | — | — | — | — | — | 202 | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 62 | — | 114 | — | 240 | — | 232 | 108 | — | — | — | — |
| 5,180 | 1,686 | 7,394 | 636 | 1,817 | 7,721 | 3,215 | 3,480 | 5,188 | 1,543 | 1,155 | 1,460 |
| 250 | — | — | — | — | — | — | — | 173 | — | — | 56 |
| 5,991 | — | 29 | 79 | 252 | 959 | 858 | 7 | 180 | 33 | — | — |
| 23 | — | — | — | — | — | — | — | 5 | — | — | — |
| 1,803 | 5 | — | — | — | — | — | — | — | — | — | — |
| 2,161 | — | — | — | 367 | 2,109 | — | 11 | — | — | — | 1 |
| 7,611 | 40 | 463 | 54 | 1,556 | 5,986 | 212 | 197 | 1,746 | 65 | 108 | 527 |
| 222,566 | 31,290 | 50,945 | 17,798 | 88,417 | 222,438 | 78,546 | 34,735 | 198,077 | 15,807 | 44,236 | 63,284 |
| 251,966 | 33,470 | 59,675 | 18,918 | 93,722 | 243,386 | 85,769 | 39,340 | 210,603 | 17,603 | 47,025 | 66,196 |
| \$ 12,541 | \$ 1,816 | \$ 2,940 | \$ 1,977 | \$ 3,799 | \$ 9,740 | \$ 3,643 | \$ 1,640 | \$ 7,485 | \$ 1,237 | \$ 2,376 | \$ 5,048 |
| 57,816 | 24,976 | 39,474 | 4,390 | 35,353 | 78,975 | 77,800 | 16,331 | 63,058 | 8,926 | 17,595 | 31,833 |
| 2,766 | 62 | 164 | — | 20 | 6,094 | 219 | 14 | — | 33 | — | 1,199 |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | 2,900 | — | 767 | 12,745 | — | 45,609 | 373 | 373 | 9,037 |
| 1,097 | — | — | — | 10,538 | — | — | — | 12,568 | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 55,836 | — | 252 | — | — | 9,718 | — | — | — | — | — | 1,034 |
| (153,755) | (10,090) | (40,684) | (16,828) | (67,296) | (113,079) | (35,376) | (20,755) | (156,760) | (12,028) | (32,135) | (45,285) |
| \$ (36,240) | \$ 14,948 | \$ (794) | \$ (9,538) | \$ (21,385) | \$ (17,525) | \$ 55,388 | \$ (4,410) | \$ (35,525) | \$ (2,696) | \$ (14,167) | \$ (2,182) |

Continued on Next Page

Combining Statement of Net Position (Continued)

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

| | Spartanburg Community College | Tri-county Technical College | Trident Technical College | Williamsburg Technical College | York Technical College | Connector 2000 | South Carolina Education Assistance Authority |
|---|-------------------------------------|------------------------------------|---------------------------------|--------------------------------------|------------------------------|--------------------|---|
| ASSETS | | | | | | | |
| Cash and cash equivalents..... | \$ 24,323 | \$ 51,261 | \$ 49,587 | \$ 9,567 | \$ 22,078 | \$ 1,870 | \$ 92,052 |
| Investments..... | 6,323 | — | 6,905 | — | 15,248 | — | — |
| Invested securities lending collateral..... | — | — | — | — | — | — | — |
| Receivables, net: | | | | | | | |
| Accounts..... | 561 | 457 | 626 | — | 73 | 4 | 40,321 |
| Contributions..... | 171 | 224 | — | — | 933 | — | — |
| Accrued interest..... | — | — | — | 122 | — | — | 561 |
| Student accounts..... | 585 | 854 | 6,907 | 182 | 2,433 | — | — |
| Loans and notes..... | 4,221 | — | — | — | — | — | 51,961 |
| Due from Federal government and other grantors..... | 475 | 698 | 3,013 | 344 | 1,796 | — | — |
| Due from primary government..... | 105 | — | 7,935 | — | 194 | — | — |
| Inventories..... | 388 | 324 | 1,062 | 46 | — | 283 | — |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents..... | 1,169 | — | — | — | — | 10,735 | 3,622 |
| Investments..... | — | 24,444 | — | 7 | — | — | — |
| Loans receivable..... | — | — | — | — | — | — | — |
| Other..... | — | — | — | — | — | — | — |
| Prepaid items..... | 178 | 974 | 879 | 10 | — | 62 | 5 |
| Other assets..... | — | 192 | — | — | 34 | 120,042 | — |
| Capital assets-nondepreciable..... | 7,668 | 4,812 | 34,534 | 461 | 3,579 | — | — |
| Capital assets-depreciable, net..... | 59,330 | 72,304 | 87,737 | 627 | 28,816 | 1,363 | — |
| Total assets..... | 105,497 | 156,544 | 199,185 | 11,366 | 75,184 | 134,359 | 188,522 |
| DEFERRED OUTFLOWS OF RESOURCES..... | \$ 7,663 | \$ 8,882 | \$ 16,525 | \$ 1,215 | \$ 7,297 | \$ — | \$ — |
| LIABILITIES | | | | | | | |
| Accounts payable..... | \$ 3,713 | \$ 4,833 | \$ 5,592 | \$ 37 | \$ 1,327 | \$ 97 | \$ 5,401 |
| Accrued salaries and related expenses..... | 492 | 63 | 904 | 36 | 535 | — | — |
| Accrued interest payable..... | 82 | — | 45 | — | — | — | — |
| Retainages payable..... | — | — | 723 | 8 | — | — | — |
| Intergovernmental payables..... | — | — | — | — | — | — | — |
| Due to primary government..... | — | — | — | — | 144 | 327 | 185 |
| Unearned revenues and deferred credits..... | 2,388 | 3,570 | 4,746 | 2,057 | 3,303 | 563 | 8 |
| Deposits..... | — | — | — | — | — | — | — |
| Amounts held in custody for others..... | 26 | — | 257 | — | 44 | — | — |
| Securities lending collateral..... | — | — | — | — | — | — | — |
| Liabilities payable from restricted assets..... | — | — | 46 | — | — | — | 403 |
| Other liabilities..... | — | — | 74 | — | — | — | — |
| Long-term liabilities: | | | | | | | |
| Due within one year..... | 829 | 1,618 | 1,655 | 30 | 500 | 6,902 | 1,220 |
| Due in more than one year..... | 84,625 | 101,801 | 175,435 | 11,926 | 66,298 | 198,568 | 31,121 |
| Total liabilities..... | 92,155 | 111,885 | 189,477 | 14,094 | 72,151 | 206,457 | 38,338 |
| DEFERRED INFLOWS OF RESOURCES..... | \$ 3,835 | \$ 3,296 | \$ 14,487 | \$ 807 | \$ 3,449 | \$ — | \$ — |
| NET POSITION | | | | | | | |
| Net investment in capital assets..... | 51,535 | 54,649 | 115,813 | 1,088 | 32,395 | 1,363 | — |
| Restricted: | | | | | | | |
| Expendable: | | | | | | | |
| Education..... | 7,681 | 10,765 | — | — | 7,427 | — | — |
| Transportation..... | — | — | — | — | — | 1,461 | — |
| Capital projects..... | 6,634 | 283 | 31,594 | — | — | — | — |
| Debt service..... | — | — | — | — | — | — | 7,130 |
| Loan programs..... | — | — | — | — | — | — | 61,229 |
| Other..... | — | — | — | — | — | — | — |
| Nonexpendable: | | | | | | | |
| Education..... | — | 14,406 | — | 7 | 3,582 | — | — |
| Unrestricted..... | (48,680) | (29,858) | (135,661) | (3,415) | (36,523) | (74,922) | 81,825 |
| Total net position (deficit)..... | \$ 17,170 | \$ 50,245 | \$ 11,746 | \$ (2,320) | \$ 6,881 | \$ (72,098) | \$ 150,184 |

| South Carolina Jobs- Economic Development Authority | South Carolina Research Authority | Patriots Point Development Authority | South Carolina Medical Malpractice Liability Joint Underwriting Association | South Carolina First Steps to School Readiness Board of Trustees | Children's Trust Fund of S.C., Inc. | Totals |
|--|--|---|---|--|---|-------------|
| \$ 772 | \$ 7,576 | \$ 4,296 | \$ 3,457 | \$ 13,147 | \$ 2,177 | \$ 652,476 |
| 3,604 | 43,945 | — | 16,224 | — | 1,391 | 355,338 |
| — | — | — | — | — | — | 171 |
| 3,317 | 2,297 | 559 | 1,361 | — | 14 | 73,382 |
| — | 3,051 | — | — | — | — | 30,980 |
| 20 | — | — | 102 | — | — | 2,047 |
| — | — | — | — | — | — | 41,248 |
| — | 293 | — | — | — | — | 57,262 |
| — | — | — | — | 1,334 | 1,841 | 40,805 |
| — | 604 | — | — | — | 796 | 23,438 |
| — | — | 292 | — | — | — | 11,179 |
| — | 2 | 11 | — | — | — | 259,041 |
| — | 2,445 | — | — | — | — | 389,151 |
| — | — | — | — | — | — | 11,680 |
| — | — | — | — | — | — | 3,626 |
| — | 289 | 9 | — | — | 308 | 17,313 |
| — | — | — | 1,030 | — | — | 136,474 |
| — | 7,174 | 4,993 | 59 | — | — | 276,569 |
| — | 26,770 | 15,215 | — | 350 | 18 | 1,979,674 |
| 7,713 | 94,446 | 25,375 | 22,233 | 14,831 | 6,545 | 4,361,854 |
| \$ 149 | \$ — | \$ 1,954 | \$ — | \$ 4,015 | \$ — | \$ 264,206 |
| \$ — | \$ 347 | \$ 9 | \$ 450 | \$ 415 | \$ 1,695 | \$ 59,369 |
| — | 119 | 478 | — | — | — | 41,551 |
| — | — | — | — | — | — | 5,688 |
| — | — | — | — | — | — | 3,181 |
| — | — | — | — | — | 638 | 638 |
| — | — | 8,451 | — | — | — | 20,732 |
| — | 659 | 893 | 7,283 | — | 938 | 84,328 |
| — | — | — | — | — | — | 5,940 |
| — | — | — | 73 | — | — | 15,891 |
| — | — | — | — | — | — | 171 |
| — | — | — | — | — | — | 2,257 |
| 55 | 67 | — | — | 352 | 86 | 24,429 |
| 21 | 910 | 249 | 12,000 | 132 | — | 79,722 |
| 850 | 14,290 | 15,259 | 47,246 | 19,075 | 66 | 3,487,966 |
| 926 | 16,392 | 25,339 | 67,052 | 19,974 | 3,423 | 3,831,863 |
| \$ 34 | \$ — | \$ 609 | \$ — | \$ 728 | \$ — | \$ 148,351 |
| — | 18,745 | 12,008 | — | 350 | 18 | 1,466,552 |
| — | — | — | — | 10,927 | — | 255,042 |
| — | — | — | — | — | — | 1,461 |
| — | — | — | — | — | — | 217,217 |
| — | — | — | — | — | — | 50,331 |
| — | — | — | — | — | — | 61,229 |
| 3,300 | 53,811 | — | 2,284 | — | — | 59,395 |
| — | — | — | — | — | — | 286,369 |
| 3,602 | 5,498 | (10,627) | (47,103) | (13,133) | 3,104 | (1,751,750) |
| \$ 6,902 | \$ 78,054 | \$ 1,381 | \$ (44,819) | \$ (1,856) | \$ 3,122 | \$ 645,846 |

Combining Statement of Activities

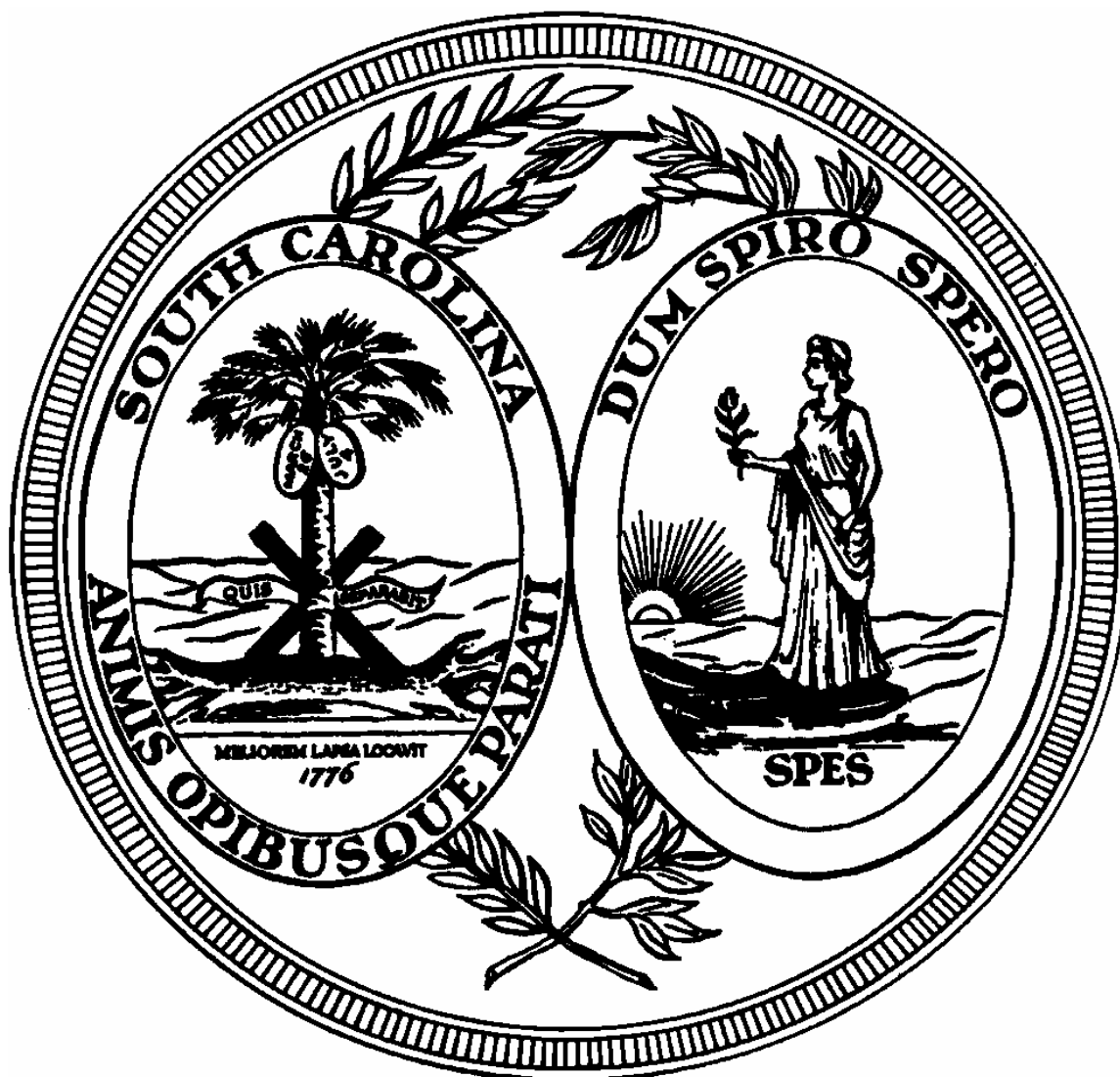
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

| | Expenses | Program Revenues | | | Net Revenue (Expenses) |
|--|---------------------|-------------------------|--|--|---------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| The Citadel..... | \$ 133,767 | \$ 94,029 | \$ 56,022 | \$ 4,673 | \$ 20,957 |
| Coastal Carolina University..... | 241,705 | 192,301 | 23,071 | 12,480 | (13,853) |
| College of Charleston..... | 274,331 | 226,225 | 34,437 | 6,201 | (7,468) |
| Francis Marion University..... | 72,963 | 43,414 | 16,743 | — | (12,806) |
| Lander University..... | 60,792 | 38,989 | 9,670 | — | (12,133) |
| South Carolina State University..... | 84,308 | 55,332 | 12,979 | 328 | (15,669) |
| Winthrop University..... | 141,233 | 105,807 | 22,452 | 631 | (12,343) |
| Aiken Technical College..... | 22,735 | 10,646 | 7,485 | 844 | (3,760) |
| Central Carolina Technical College..... | 39,591 | 13,040 | 13,001 | 1,150 | (12,400) |
| Denmark Technical College..... | 10,394 | 4,784 | 1,974 | 8 | (3,628) |
| Florence- Darlington Technical College..... | 54,135 | 19,873 | 19,435 | 68 | (14,759) |
| Greenville Technical College..... | 111,325 | 53,571 | 40,775 | 1,849 | (15,130) |
| Horry- Georgetown Technical College..... | 64,233 | 31,824 | 20,617 | 5,742 | (6,050) |
| Technical College of the Lowcountry..... | 22,991 | 9,370 | 6,919 | 380 | (6,322) |
| Midlands Technical College..... | 98,732 | 50,593 | 32,292 | 2,947 | (12,900) |
| Northeastern Technical College..... | 11,373 | 4,275 | 3,127 | 1,267 | (2,704) |
| Orangeburg- Calhoun Technical College..... | 23,144 | 8,444 | 8,257 | 5,018 | (1,425) |
| Piedmont Technical College..... | 39,204 | 17,343 | 15,418 | 1,065 | (5,378) |
| Spartanburg Community College..... | 53,088 | 21,400 | 18,197 | 5,362 | (8,129) |
| Tri-county Technical College..... | 68,969 | 32,583 | 18,755 | 2,018 | (15,613) |
| Trident Technical College..... | 113,277 | 56,022 | 37,029 | 26,130 | 5,904 |
| Williamsburg Technical College..... | 7,432 | 1,776 | 2,793 | 1,149 | (1,714) |
| York Technical College..... | 44,212 | 21,687 | 13,421 | 1,482 | (7,622) |
| Connector 2000..... | 20,878 | 11,234 | 73 | — | (9,571) |
| South Carolina Education Assistance Authority..... | 3,383 | 2,839 | 984 | — | 440 |
| South Carolina Jobs- Economic Development Authority..... | 516 | 989 | 59 | 248 | 780 |
| South Carolina Research Authority..... | 33,763 | 5,343 | 7,942 | — | (20,478) |
| Patriots Point Development Authority..... | 14,151 | 12,460 | 59 | 415 | (1,217) |
| South Carolina Medical Malpractice Liability Joint Underwriting Association..... | 10,813 | 13,500 | 287 | — | 2,974 |
| South Carolina First Steps to School Readiness Board of Trustees..... | 42,801 | — | 7,839 | — | (34,962) |
| Children's Trust Fund of S.C., Inc..... | 14,631 | — | 15,123 | — | 492 |
| Totals..... | \$ 1,934,870 | \$ 1,159,693 | \$ 467,235 | \$ 81,455 | \$ (226,487) |

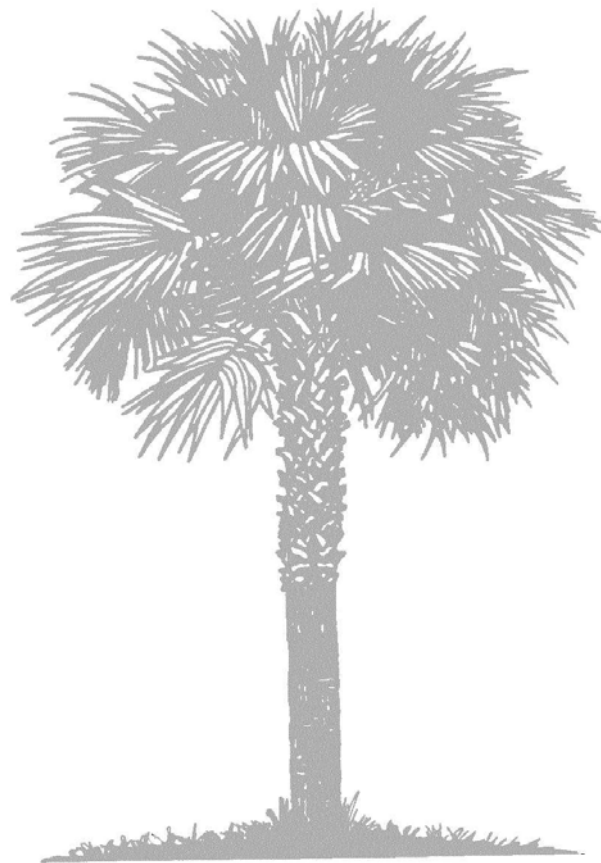
Exhibit G-2

| Additions to Endowments | State Appropriations | Net Position (Deficit) Beginning (as Restated) | Net Position (Deficit) Ending |
|------------------------------------|---------------------------------|---|--|
| \$ 10,026 | \$ 11,028 | \$ 277,516 | \$ 319,527 |
| — | 13,302 | 34,825 | 34,274 |
| 2,684 | 25,664 | 128,033 | 148,913 |
| 147 | 16,253 | 12,872 | 16,466 |
| 257 | 9,241 | 7,169 | 4,534 |
| — | 23,151 | (15,816) | (8,334) |
| 1,063 | 16,432 | (41,392) | (36,240) |
| — | 4,332 | 14,376 | 14,948 |
| — | 11,481 | 125 | (794) |
| — | 2,660 | (8,570) | (9,538) |
| — | 10,873 | (17,499) | (21,385) |
| 320 | 18,581 | (21,296) | (17,525) |
| — | 10,598 | 50,840 | 55,388 |
| — | 6,315 | (4,403) | (4,410) |
| — | 18,549 | (41,174) | (35,525) |
| — | 3,293 | (3,285) | (2,696) |
| — | 5,499 | (18,241) | (14,167) |
| 32 | 8,922 | (5,758) | (2,182) |
| — | 8,241 | 17,058 | 17,170 |
| 503 | 10,938 | 54,417 | 50,245 |
| — | 19,741 | (13,899) | 11,746 |
| — | 2,212 | (2,818) | (2,320) |
| 61 | 7,657 | 6,785 | 6,881 |
| — | — | (62,527) | (72,098) |
| — | — | 149,744 | 150,184 |
| — | — | 6,122 | 6,902 |
| — | — | 98,532 | 78,054 |
| — | — | 2,598 | 1,381 |
| — | — | (47,793) | (44,819) |
| — | 35,904 | (2,798) | (1,856) |
| — | — | 2,630 | 3,122 |
| \$ 15,093 | \$ 300,867 | \$ 556,373 | \$ 645,846 |

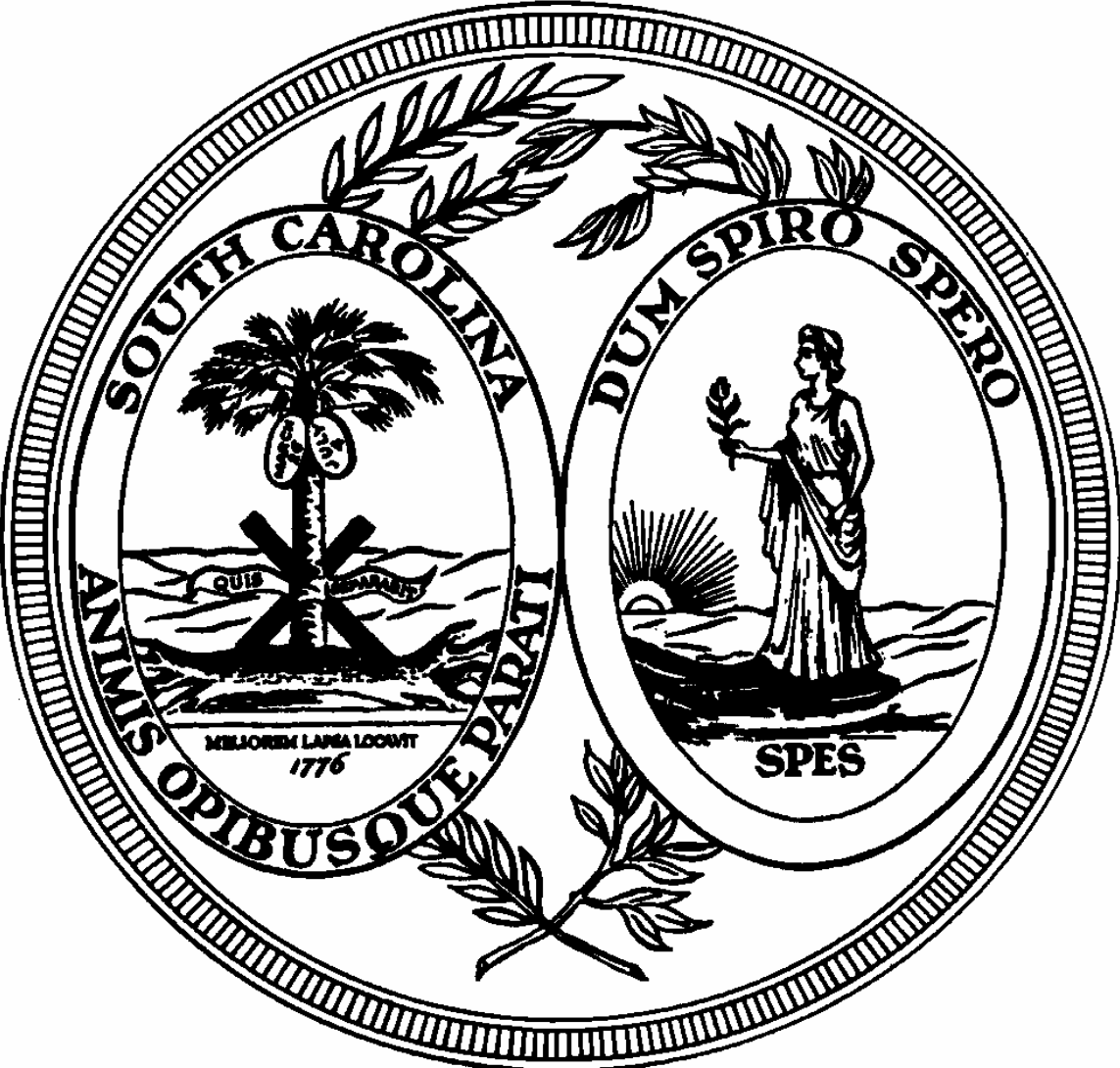


Statistical Section

(Unaudited)



This section presents certain economic and social data and financial trends over a ten-year period.



Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina’s overall financial health.

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Financial Trends | 268 |
| These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time. | |
| Revenue Capacity | 278 |
| These schedules contain information to help the reader assess the State’s most significant revenue sources, the personal income tax and the retail sales tax. | |
| Debt Capacity | 284 |
| These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future. | |
| Demographic and Economic Information | 293 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place. | |
| Operating Information | 298 |
| These schedules contain service and capital asset data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs. | |

SOURCES

Unless otherwise noted, the information in these schedules is derived from the State’s Comprehensive Annual Financial Report for the relevant fiscal year.

Net Position by Component

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| Governmental activities | | | | |
| Net Investment in capital assets..... | \$ 15,079,318 | \$ 14,133,938 | \$ 13,088,862 | \$ 12,667,605 |
| Restricted..... | 6,068,437 | 8,204,123 | 6,691,147 | 6,062,068 |
| Unrestricted..... | (3,578,770) | (6,445,213) | (2,261,569) | (2,687,165) |
| Total governmental activities net position..... | \$ 17,568,985 | \$ 15,892,848 | \$ 17,518,440 | \$ 16,042,508 |
| Business-type activities | | | | |
| Net Investment in capital assets..... | \$ 218,157 | \$ 216,697 | \$ 203,351 | \$ 146,739 |
| Restricted..... | 1,023,083 | 792,899 | 584,700 | 337,834 |
| Unrestricted..... | (75,472) | (94,601) | (177,149) | (251,392) |
| Total business-type activities net position..... | \$ 1,165,768 | \$ 914,995 | \$ 610,902 | \$ 233,181 |
| Primary government | | | | |
| Net Investment in capital assets..... | \$ 15,297,475 | \$ 14,350,635 | \$ 13,292,213 | \$ 12,814,344 |
| Restricted..... | 7,091,520 | 8,997,022 | 7,275,847 | 6,399,902 |
| Unrestricted..... | (3,654,242) | (6,539,814) | (2,438,718) | (2,938,557) |
| Total primary government net position..... | \$ 18,734,753 | \$ 16,807,843 | \$ 18,129,342 | \$ 16,275,689 |

For fiscal year 2018, the State implemented GASB Statement No. 75 (GASB 75). The implementation resulted in the restatement of prior year OPEB-related expenses and related net position balances. Amounts for fiscal years prior to 2017 have not been restated.

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses and related net position balances. Amounts for fiscal years prior to 2014 have not been restated.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 1

| Ended June 30 | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2014 (as restated) | 2013 (as restated) | 2012 (as restated) | 2011 (as restated) | 2010 (as restated) | 2009 (as restated) |
| \$ 11,892,515 | \$ 11,455,604 | \$ 11,251,603 | \$ 10,766,855 | \$ 10,966,666 | \$ 10,276,019 |
| 5,488,629 | 5,323,431 | 3,158,419 | 3,273,224 | 3,202,747 | 3,351,417 |
| (2,121,995) | 332,163 | 1,763,505 | 762,150 | (374,030) | (163,495) |
| \$ 15,259,149 | \$ 17,111,198 | \$ 16,173,527 | \$ 14,802,229 | \$ 13,795,383 | \$ 13,463,941 |
| \$ 124,223 | \$ 72,497 | \$ 2,742,733 | \$ 2,628,292 | \$ 2,539,652 | \$ 2,429,521 |
| 185,732 | 56 | 1,438,402 | 1,443,470 | 1,225,352 | 1,123,060 |
| (413,206) | (541,375) | 974,730 | 707,961 | 322,575 | 399,730 |
| \$ (103,251) | \$ (468,822) | \$ 5,155,865 | \$ 4,779,723 | \$ 4,087,579 | \$ 3,952,311 |
| \$ 12,016,738 | \$ 11,528,101 | \$ 13,994,336 | \$ 13,395,147 | \$ 13,506,318 | \$ 12,705,540 |
| 5,674,361 | 5,323,487 | 4,596,821 | 4,716,694 | 4,428,099 | 4,474,477 |
| (2,535,201) | (209,212) | 2,738,235 | 1,470,111 | (51,455) | 236,235 |
| \$ 15,155,898 | \$ 16,642,376 | \$ 21,329,392 | \$ 19,581,952 | \$ 17,882,962 | \$ 17,416,252 |

Changes in Net Position

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|--|---------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government..... | \$ 6,819,685 | \$ 5,507,990 | \$ 4,697,228 | \$ 5,352,363 |
| Education..... | 4,745,126 | 4,991,282 | 4,906,919 | 4,742,995 |
| Health and environment..... | 8,156,138 | 8,156,599 | 7,683,019 | 7,832,147 |
| Social services..... | 1,695,379 | 1,766,719 | 1,832,743 | 1,821,016 |
| Administration of justice..... | 986,839 | 938,748 | 883,458 | 873,450 |
| Resources and economic development..... | 393,575 | 484,902 | 463,630 | 389,814 |
| Transportation..... | 1,620,126 | 1,481,762 | 1,310,449 | 1,118,603 |
| Unallocated interest expense..... | 18,335 | 25,865 | 23,537 | 33,322 |
| Total governmental activities expenses..... | 24,435,203 | 23,353,867 | 21,800,983 | 22,163,710 |
| Business-type activities: | | | | |
| Higher education..... | — | — | — | — |
| Higher education institution support..... | — | — | — | — |
| Unemployment compensation benefits..... | 182,537 | 199,409 | 208,710 | 226,470 |
| Second injury fund benefits..... | 285 | 600 | 27 | 7,461 |
| Financing of housing facilities..... | — | — | — | — |
| Medical malpractice insurance..... | — | — | — | — |
| Financing of student loans..... | — | — | — | — |
| Tuition prepayment program..... | — | — | — | — |
| State maritime museum..... | — | — | — | — |
| Insurance claims processing..... | — | — | — | — |
| Other..... | 60,142 | 52,900 | 45,855 | 55,325 |
| Total business-type activities expenses..... | 242,964 | 252,909 | 254,592 | 289,256 |
| Total primary government expenses..... | 24,678,167 | 23,606,776 | 22,055,575 | 22,452,966 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government..... | 3,055,388 | 2,797,733 | 2,732,909 | 2,592,512 |
| Other activities..... | 672,590 | 608,357 | 543,485 | 657,266 |
| Operating grants and contributions..... | 9,253,825 | 9,127,975 | 8,823,007 | 8,388,996 |
| Capital grants and contributions..... | 977,834 | 813,622 | 582,940 | 680,842 |
| Total governmental activities program revenues..... | 13,959,637 | 13,347,687 | 12,682,341 | 12,319,616 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Higher education..... | — | — | — | — |
| Higher education institution support..... | — | — | — | — |
| Unemployment compensation benefits..... | 344,552 | 385,759 | 422,479 | 442,545 |
| Second injury fund benefits..... | 60,291 | 59,848 | 59,874 | 60,000 |
| Other activities..... | 53,758 | 51,405 | 46,759 | 44,208 |
| Operating grants and contributions..... | 5,660 | 22,708 | 11,909 | 14,335 |
| Capital grants and contributions..... | — | 18,998 | 39,480 | 12,567 |
| Total business-type activities program revenues..... | 464,261 | 538,718 | 580,501 | 573,655 |
| Total primary government activities program revenues..... | 14,423,898 | 13,886,405 | 13,262,842 | 12,893,271 |
| Net Revenues (Expenses) | | | | |
| Governmental activities..... | (10,475,566) | (10,006,180) | (9,118,642) | (9,844,094) |
| Business-type activities..... | 221,297 | 285,809 | 325,909 | 284,399 |
| Total primary government net revenues (expense)..... | (10,254,269) | (9,720,371) | (8,792,733) | (9,559,695) |

Table 2

Ended June 30

| 2014 (as restated) | 2013 (as restated) | 2012 (as restated) | 2011 (as restated) | 2010 (as restated) | 2009 (as restated) |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| \$ 5,381,542 | \$ 5,307,714 | \$ 4,688,917 | \$ 4,466,170 | \$ 4,478,249 | \$ 4,333,524 |
| 4,250,632 | 4,243,187 | 4,163,313 | 4,004,703 | 4,400,125 | 4,109,666 |
| 7,071,800 | 6,403,284 | 5,778,883 | 6,584,487 | 6,007,179 | 5,825,749 |
| 1,977,904 | 2,087,077 | 2,066,923 | 1,900,026 | 1,847,028 | 1,533,666 |
| 830,536 | 719,891 | 658,925 | 746,462 | 760,379 | 774,533 |
| 334,898 | 281,763 | 207,810 | 221,075 | 351,882 | 372,073 |
| 1,159,917 | 931,980 | 1,194,222 | 1,203,952 | 1,179,611 | 940,226 |
| 36,896 | 44,451 | 87,929 | 90,848 | 81,838 | 98,728 |
| 21,044,125 | 20,019,347 | 18,846,922 | 19,217,723 | 19,106,291 | 17,988,165 |
| — | — | 3,844,159 | 3,684,769 | 3,520,564 | 3,396,191 |
| — | — | 1,359,870 | 1,321,213 | 1,252,222 | 1,200,456 |
| 342,741 | 616,064 | 1,066,105 | 2,171,063 | 2,026,866 | 1,332,402 |
| 2,547 | 52,656 | 1,564 | 1,648 | 1,720 | 1,699 |
| — | — | 197,555 | 272,880 | 238,191 | 180,555 |
| — | — | 9,705 | 2,591 | 2,324 | (6,724) |
| — | — | 15,336 | 21,847 | 36,694 | 52,699 |
| — | — | 737 | 4,750 | 910 | 10,598 |
| — | — | 9,883 | 8,614 | 9,300 | 8,622 |
| — | — | 1,830 | 1,648 | 1,720 | 1,699 |
| 35,194 | 54,061 | 27,753 | 23,630 | 23,843 | 28,935 |
| 380,482 | 722,781 | 6,534,497 | 7,514,653 | 7,114,354 | 6,207,132 |
| 21,424,607 | 20,742,128 | 25,381,419 | 26,732,376 | 26,220,645 | 24,195,297 |
| 2,426,885 | 2,327,752 | 2,039,415 | 1,929,867 | 1,945,319 | 1,654,616 |
| 790,717 | 551,319 | 584,966 | 533,342 | 411,485 | 463,801 |
| 7,661,223 | 7,328,281 | 7,366,197 | 8,118,411 | 8,274,731 | 7,045,052 |
| 806,657 | 716,702 | 646,148 | 615,292 | 570,743 | 382,979 |
| 11,685,482 | 10,924,054 | 10,636,726 | 11,196,912 | 11,202,278 | 9,546,448 |
| — | — | 2,688,543 | 2,579,679 | 2,377,719 | 2,454,076 |
| — | — | 1,376,960 | 1,363,957 | 1,314,062 | 1,201,181 |
| 507,907 | 467,256 | 438,115 | 2,298,971 | 1,575,257 | 791,037 |
| 60,043 | 1,520 | 1,560 | 1,473 | 1,645 | 2,091 |
| 45,815 | 42,790 | 133,133 | 133,195 | 154,051 | 189,406 |
| 90,107 | 323,321 | 1,553,432 | 1,115,603 | 1,042,850 | 409,628 |
| 210 | 3 | 84,654 | 94,893 | 99,239 | 50,718 |
| 704,082 | 834,890 | 6,276,397 | 7,587,771 | 6,564,823 | 5,098,137 |
| 12,389,564 | 11,758,944 | 16,913,123 | 18,784,683 | 17,767,101 | 14,644,585 |
| (9,358,643) | (9,095,293) | (8,210,196) | (8,020,811) | (7,904,013) | (8,441,717) |
| 323,600 | 112,109 | (258,100) | 73,118 | (549,531) | (1,108,995) |
| (9,035,043) | (8,983,184) | (8,468,296) | (7,947,693) | (8,453,544) | (9,550,712) |

Continued on Next Page

Changes in Net Position (Continued)

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|---|---------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Individual income..... | \$ 4,408,772 | \$ 4,143,217 | \$ 3,884,855 | \$ 3,741,800 |
| Retail sales and use..... | 4,688,789 | 4,436,958 | 4,279,959 | 4,357,672 |
| Corporate income..... | 404,164 | 340,327 | 408,297 | 377,329 |
| Gas and motor vehicle..... | 1,084,630 | 883,891 | 698,090 | 666,772 |
| Insurance..... | 191,016 | 168,974 | 156,766 | 152,314 |
| Hospital..... | 260,715 | 267,235 | 265,689 | 263,557 |
| Other..... | 711,502 | 661,573 | 666,017 | 645,783 |
| Unrestricted grants and contributions..... | 38 | — | 90 | 1 |
| Unrestricted investment income..... | 160,636 | 191,486 | 109,748 | 67,343 |
| Tobacco legal settlement..... | 81,605 | 73,533 | 71,119 | 70,419 |
| Other revenues..... | 150,635 | 154,778 | 53,026 | 280,491 |
| Transfers..... | 9,201 | 2,559 | 918 | 3,972 |
| Total governmental activities..... | 12,151,703 | 11,324,531 | 10,594,574 | 10,627,453 |
| Business-type activities: | | | | |
| Unrestricted investment income..... | 34,132 | 22,777 | 28,952 | 16,306 |
| Other revenues..... | 4,545 | 1,802 | 8,946 | 3,141 |
| Additions to endowments..... | — | — | — | — |
| Gain on early extinguishment of debt..... | — | — | — | — |
| Transfers..... | (9,201) | (2,559) | (918) | (3,972) |
| Total business-type activities..... | 29,476 | 22,020 | 36,980 | 15,475 |
| Total primary government..... | 12,181,179 | 11,346,551 | 10,631,554 | 10,642,928 |
| Change in Net Position | | | | |
| Governmental activities..... | 1,676,137 | 1,318,351 | 1,475,932 | 783,359 |
| Business-type activities..... | 250,773 | 307,829 | 362,889 | 299,874 |
| Total primary government..... | \$ 1,926,910 | \$ 1,626,180 | \$ 1,838,821 | \$ 1,083,233 |

For fiscal years 2018, the State implemented GASB Statement No. 75 (GASB 75). The implementation resulted in the restatement of prior year OPEB-related expenses. Prior year amounts have not been restated.

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses. Prior year amounts have not been restated.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Source: South Carolina Comptroller General's Office

Table 2

Ended June 30

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| (as restated) | (as restated) | (as restated) | (as restated) | (as restated) | (as restated) |
| \$ 3,422,532 | \$ 3,479,143 | \$ 3,101,861 | \$ 2,880,504 | \$ 2,659,728 | \$ 2,805,998 |
| 4,178,102 | 3,988,918 | 4,148,010 | 3,969,218 | 3,855,095 | 3,908,318 |
| 327,809 | 390,527 | N/A | N/A | N/A | N/A |
| 636,216 | 557,209 | N/A | N/A | N/A | N/A |
| 138,037 | 139,240 | N/A | N/A | N/A | N/A |
| 262,962 | 263,435 | N/A | N/A | N/A | N/A |
| 601,692 | 568,040 | 2,003,804 | 1,836,876 | 1,616,347 | 1,682,300 |
| 1 | 159 | 93,970 | 223,959 | 205,965 | 23,896 |
| 120,171 | 68,899 | 78,232 | 22,186 | 43,513 | 87,483 |
| 109,113 | 73,326 | 74,122 | 69,808 | 68,709 | 95,115 |
| 684,412 | 587,729 | 509,742 | 571,998 | 433,166 | 301,321 |
| (47,900) | (60,968) | (640,774) | (546,892) | (653,389) | (685,972) |
| 10,433,147 | 10,055,657 | 9,368,967 | 9,027,657 | 8,229,134 | 8,218,459 |
| 26,107 | 8,632 | 6,953 | — | — | — |
| 204 | 85 | 62 | — | — | — |
| — | — | 20,171 | 36,945 | 30,480 | 31,934 |
| — | — | 119 | 35,189 | — | — |
| 47,900 | 60,968 | 640,774 | 546,892 | 653,389 | 685,972 |
| 74,211 | 69,685 | 668,079 | 619,026 | 683,869 | 717,906 |
| 10,507,358 | 10,125,342 | 10,037,046 | 9,646,683 | 8,913,003 | 8,936,365 |
| 1,074,504 | 960,364 | 1,158,771 | 1,006,846 | 325,121 | (223,258) |
| 397,811 | 181,794 | 409,979 | 692,144 | 134,338 | (391,089) |
| \$ 1,472,315 | \$ 1,142,158 | \$ 1,568,750 | \$ 1,698,990 | \$ 459,459 | \$ (614,347) |

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|---|---------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| General Fund | | | | |
| Reserved ¹ | \$ — | \$ — | \$ — | \$ — |
| Non-spendable..... | 128,937 | 120,194 | 94,624 | 74,743 |
| Restricted..... | 1,134,704 | 604,959 | 530,698 | 502,620 |
| Committed..... | 505,425 | 2,137,028 | 1,142,072 | 976,846 |
| Assigned..... | 252,357 | 397,688 | 416,089 | 369,967 |
| Unassigned, previously unreserved..... | 2,186,155 | 482,198 | 1,359,456 | 1,067,829 |
| Total General Fund..... | 4,207,578 | 3,742,067 | 3,542,939 | 2,992,005 |
| All other governmental funds | | | | |
| Reserved ¹ | — | — | — | — |
| Non-spendable..... | 33,767 | 35,322 | 24,897 | 800,713 |
| Restricted..... | 4,253,086 | 3,796,996 | 3,652,234 | 2,581,099 |
| Committed..... | 496,120 | 588,668 | 465,712 | 475,586 |
| Assigned..... | 22,572 | 11,099 | 5,311 | 6,842 |
| Special revenue funds..... | a | a | a | a |
| Capital projects fund..... | a | a | a | a |
| Permanent funds..... | a | a | a | a |
| Unassigned, previously unreserved..... | (678,731) | (672,008) | (608,503) | (656,236) |
| Total all other governmental funds..... | 4,126,814 | 3,760,077 | 3,539,651 | 3,208,004 |
| Total fund balances, governmental funds..... | \$ 8,334,392 | \$ 7,502,144 | \$ 7,082,590 | \$6,200,009 |

Note: Certain fiscal year data has been restated for consistency.
Balances were not restated for GASB 54 effects in this presentation.

^a Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal year 2010-2011.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

Source: South Carolina Comptroller General's Office

Table 3

| Ended June 30 | | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| (as restated) | (as restated) | (as restated) | (as restated) | (as restated) | (as restated) |
| \$ — | \$ — | \$ — | \$ — | \$ 190,886 | \$ 231,201 |
| 68,128 | 67,717 | 67,842 | 86,993 | a | a |
| 359,073 | 337,687 | 1,335 | 1,077 | a | a |
| 967,245 | 650,545 | 384,252 | 582,085 | a | a |
| 444,630 | 996,539 | 495,878 | 349,619 | a | a |
| 1,140,840 | 545,007 | 998,002 | 531,699 | — | (102,521) |
| 2,979,916 | 2,597,495 | 1,947,309 | 1,551,473 | 190,886 | 128,680 |
| — | — | — | — | 2,167,253 | 2,124,977 |
| 775,675 | 771,168 | 795,761 | 790,205 | a | a |
| 2,624,909 | 2,045,302 | 2,330,297 | 2,297,364 | a | a |
| 346,688 | 166,205 | 145,613 | 127,220 | a | a |
| 5,387 | 156,918 | 132,045 | 104,298 | a | a |
| a | a | a | a | 726,389 | 806,524 |
| a | a | a | a | 362,097 | 248,130 |
| a | a | a | a | 1,473 | 1,502 |
| (748,859) | (366,066) | (635,940) | (1,000,102) | 1,089,959 | 1,056,156 |
| 3,003,800 | 2,773,527 | 2,767,776 | 2,318,985 | 3,257,212 | 3,181,133 |
| \$5,983,716 | \$5,371,022 | \$4,715,085 | \$3,870,458 | \$3,448,098 | \$3,309,813 |

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|---|---------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| Revenues | | | | |
| Taxes: | | | | |
| Individual income..... | \$ 4,408,772 | \$ 4,143,217 | \$ 3,884,855 | \$ 3,741,800 |
| Retail sales and use..... | 4,688,789 | 4,436,958 | 4,279,959 | 4,357,672 |
| Corporate Income..... | 404,164 | 340,327 | 408,297 | 377,329 |
| Gas and motor vehicle..... | 1,084,630 | 883,891 | 698,090 | 666,772 |
| Insurance..... | 191,016 | 168,974 | 156,766 | 152,314 |
| Hospital..... | 260,715 | 267,235 | 265,689 | 263,557 |
| Other..... | 711,502 | 661,573 | 666,017 | 645,783 |
| Licenses, fees, and permits..... | 517,788 | 552,790 | 614,339 | 588,594 |
| Interest and other investment income..... | 144,282 | 150,870 | 99,540 | 47,926 |
| Federal..... | 8,944,281 | 8,934,219 | 8,311,023 | 8,434,117 |
| Local and private grants..... | 66,549 | 70,056 | 62,100 | 57,977 |
| Departmental services..... | 956,978 | 927,982 | 841,391 | 808,512 |
| Contributions..... | 589,190 | 503,409 | 531,825 | 448,014 |
| Fines and penalties..... | 167,951 | 165,561 | 180,244 | 187,524 |
| Tobacco legal settlement..... | 81,605 | 73,533 | 71,119 | 70,419 |
| Other..... | 638,490 | 562,690 | 468,076 | 338,467 |
| Total revenues..... | 23,856,702 | 22,843,285 | 21,539,330 | 21,186,777 |
| Expenditures | | | | |
| Current: | | | | |
| General government..... | 688,451 | 822,078 | 749,510 | 771,349 |
| Education..... | 1,114,861 | 1,102,649 | 1,028,316 | 971,961 |
| Health and environment..... | 8,820,524 | 8,563,572 | 8,112,805 | 8,090,340 |
| Social services..... | 1,673,808 | 1,740,666 | 1,816,736 | 1,802,517 |
| Administration of justice..... | 891,487 | 845,291 | 805,266 | 814,443 |
| Resources and economic development..... | 313,350 | 269,758 | 246,418 | 221,350 |
| Transportation..... | 1,149,334 | 1,044,346 | 694,038 | 768,196 |
| Capital outlay..... | 1,012,966 | 985,878 | 656,003 | 599,316 |
| Debt service: | | | | |
| Principal retirement..... | 254,783 | 261,033 | 261,979 | 278,729 |
| Interest and fiscal charges..... | 126,883 | 127,391 | 161,055 | 171,106 |
| Intergovernmental..... | 7,027,182 | 6,726,753 | 6,168,555 | 6,509,788 |
| Total expenditures..... | 23,073,629 | 22,489,415 | 20,700,681 | 20,999,095 |
| Excess of revenues over (under) expenditures..... | 783,073 | 353,870 | 838,649 | 187,682 |
| Other financing sources (uses) | | | | |
| Bonds and notes issued..... | 15,065 | 51,103 | 115,370 | 18,110 |
| Refunding bonds issued..... | 188,725 | 213,595 | 573,505 | — |
| Premiums on bonds issued..... | 30,041 | 22,464 | 44,852 | 3,070 |
| Discounts on bonds issued..... | — | — | — | — |
| Capital leases..... | 1,847 | 47 | 411 | — |
| Payments to refunded bond escrow agent..... | (203,580) | (229,205) | (692,095) | — |
| Redemption of refunded bonds..... | — | — | — | — |
| Transfers in..... | 380,842 | 449,624 | 851,955 | 270,402 |
| Transfers out..... | (363,765) | (441,944) | (850,066) | (262,971) |
| Total other financing sources (uses)..... | 49,175 | 65,684 | 43,932 | 28,611 |
| Net change in fund balances..... | \$ 832,248 | \$ 419,554 | \$ 882,581 | \$ 216,293 |
| Debt service as a percentage of noncapital expenditures..... | 1.7% | 1.8% | 2.1% | 2.2% |

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

Source: South Carolina Comptroller General's Office

Table 4

Ended June 30

| 2014 (as restated) | 2013 (as restated) | 2012 (as restated) | 2011 (as restated) | 2010 (as restated) | 2009 (as restated) |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 3,422,532 | \$ 3,480,213 | \$ 3,114,888 | \$ 2,898,388 | \$ 2,658,700 | \$ 2,828,668 |
| 4,178,102 | 3,961,867 | 4,148,009 | 3,969,218 | 3,855,095 | 3,908,318 |
| 327,809 | 390,527 | N/A | N/A | N/A | N/A |
| 636,216 | 557,209 | N/A | N/A | N/A | N/A |
| 138,037 | 139,240 | N/A | N/A | N/A | N/A |
| 262,962 | 263,435 | N/A | N/A | N/A | N/A |
| 601,692 | 591,992 | 2,049,900 | 1,755,228 | 1,586,023 | 1,653,678 |
| 543,558 | 500,684 | 474,826 | 511,818 | 468,758 | 502,811 |
| 99,575 | 50,674 | 140,701 | 87,033 | 174,519 | 224,967 |
| 7,812,816 | 7,464,240 | 7,615,387 | 8,404,416 | 8,475,813 | 6,801,787 |
| 57,589 | 51,766 | 54,098 | 55,466 | 40,287 | 50,523 |
| 950,754 | 776,895 | 989,677 | 625,124 | 232,079 | 746,106 |
| 433,931 | 390,124 | 371,989 | 437,570 | 434,832 | 379,042 |
| 146,722 | 131,236 | 115,161 | 122,790 | 163,389 | 120,705 |
| 109,113 | 73,326 | 74,122 | 69,808 | 68,709 | 95,115 |
| 741,857 | 523,672 | 672,398 | 572,361 | 446,384 | 376,747 |
| 20,463,265 | 19,347,100 | 19,821,156 | 19,509,220 | 18,604,588 | 17,688,467 |
| 788,764 | 667,014 | 636,359 | 679,904 | 695,583 | 754,767 |
| 948,137 | 993,174 | 946,054 | 809,161 | 820,352 | 811,215 |
| 7,323,555 | 6,646,790 | 6,397,669 | 6,867,229 | 5,963,035 | 6,219,832 |
| 1,978,585 | 2,075,475 | 2,056,782 | 1,878,099 | 1,831,650 | 1,529,925 |
| 798,031 | 698,055 | 720,769 | 681,808 | 686,975 | 716,476 |
| 203,833 | 138,793 | 189,366 | 173,047 | 163,858 | 205,489 |
| 692,243 | 731,793 | 835,064 | 867,372 | 902,784 | 655,964 |
| 702,651 | 454,053 | 400,354 | 568,225 | 470,201 | 384,197 |
| 270,081 | 270,223 | 324,456 | 313,261 | 713,643 | 353,204 |
| 183,008 | 201,304 | 217,890 | 205,811 | 200,409 | 220,309 |
| 6,043,436 | 5,763,966 | 5,602,752 | 5,705,721 | 6,109,264 | 5,869,496 |
| 19,932,324 | 18,640,640 | 18,327,515 | 18,749,638 | 18,557,754 | 17,720,874 |
| 530,941 | 706,460 | 1,493,641 | 759,582 | 46,834 | (32,407) |
| 100,235 | — | 810 | 205,507 | 301,672 | 91,521 |
| 86,575 | 424,910 | 398,665 | 676,115 | 388,450 | — |
| 30,389 | 53,560 | 47,398 | 37,581 | 49,600 | 4,541 |
| — | — | — | (5,314) | (87) | — |
| 7,466 | — | 230 | 166 | — | 19 |
| (101,062) | (476,620) | (422,456) | (528,423) | — | — |
| — | — | (19,834) | (184,087) | — | — |
| 808,132 | 431,827 | 167,133 | 311,010 | 735,715 | 759,447 |
| (849,982) | (484,200) | (820,960) | (849,777) | (1,383,899) | (1,443,304) |
| 81,753 | (50,523) | (649,014) | (337,222) | 91,451 | (587,776) |
| \$ 612,694 | \$ 655,937 | \$ 844,627 | \$ 422,360 | \$ 138,285 | \$ (620,183) |
| 2.4% | 2.6% | 3.0% | 2.9% | 5.1% | 3.3% |

Personal Income by Industry

Last Ten Calendar Years
(expressed in millions)

| Sources | Calendar Year | | |
|--|-------------------|------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Farm earnings..... | \$ 187 | \$ 102 | \$ 148 |
| Agricultural services, forestry, fishing, and other..... | 413 | 392 | 377 |
| Mining..... | 146 | 127 | 106 |
| Construction..... | 8,996 | 8,064 | 7,261 |
| Manufacturing..... | 18,417 | 18,118 | 17,753 |
| Transportation and public utilities..... | 5,711 | 5,518 | 5,273 |
| Wholesale trade..... | 6,084 | 5,870 | 5,784 |
| Retail trade..... | 9,164 | 9,020 | 8,694 |
| Finance, insurance, and real estate..... | 10,006 | 9,595 | 9,153 |
| Services..... | 47,888 | 46,030 | 44,403 |
| Federal government, civilian..... | 3,391 | 3,236 | 3,158 |
| Military..... | 3,588 | 3,493 | 3,578 |
| State and local government..... | 20,696 | 20,152 | 19,541 |
| Other ^a | 68,401 | 66,332 | 64,607 |
| Total personal income..... | \$ 203,088 | \$196,049 | \$ 189,836 |
| Average effective rate ^b | ^c | 1.9% | 1.8% |

Information has been updated when modifications are provided by the Federal Government Sources.

^a Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

^b The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

^c Information not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 5

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 221 | \$ 732 | \$ 515 | \$ 284 | \$ 407 | \$ 462 | \$ 424 |
| 351 | 307 | 304 | 289 | 288 | 275 | 281 |
| 80 | 77 | 78 | 81 | 77 | 73 | 102 |
| 6,725 | 6,071 | 5,652 | 5,071 | 5,128 | 5,713 | 6,612 |
| 16,936 | 15,818 | 15,201 | 14,629 | 13,367 | 12,977 | 14,694 |
| 4,900 | 4,580 | 4,314 | 4,215 | 3,954 | 3,893 | 4,105 |
| 5,409 | 5,048 | 4,886 | 4,671 | 4,429 | 4,461 | 4,987 |
| 8,336 | 8,054 | 7,698 | 7,546 | 7,222 | 7,217 | 7,647 |
| 8,612 | 8,175 | 9,593 | 7,007 | 6,705 | 6,135 | 6,536 |
| 42,105 | 39,480 | 37,828 | 36,234 | 34,024 | 32,612 | 33,276 |
| 3,000 | 2,972 | 2,945 | 2,869 | 2,798 | 2,609 | 2,501 |
| 3,532 | 3,633 | 3,691 | 3,611 | 3,589 | 3,540 | 3,302 |
| 18,283 | 17,550 | 17,229 | 17,020 | 16,619 | 16,731 | 16,555 |
| 60,230 | 55,771 | 56,464 | 54,426 | 50,486 | 48,504 | 47,877 |
| \$ 178,720 | \$ 168,268 | \$ 166,398 | \$ 157,953 | \$ 149,093 | \$ 145,202 | \$ 148,899 |
| 1.8% | 1.9% | 1.9% | 1.8% | 1.9% | 1.8% | 1.9% |

Taxable Sales by Industry

Last Ten Fiscal Years
(expressed in millions)

| Sources | For the Fiscal Year | | | |
|---|---------------------|-------------------|-------------------|-------------------|
| | 2018 ^b | 2017 ^b | 2016 ^b | 2015 ^b |
| Retail trade..... | \$ 43,852 | \$ 42,980 | \$ 48,777 | \$ 45,579 |
| Services..... | 12,534 | 11,773 | 12,479 | 11,661 |
| Transportation, communication, and utilities. | 10,093 | 10,206 | 5,379 | 5,027 |
| Wholesale trade..... | 3,234 | 3,033 | 3,132 | 2,927 |
| Other..... | 5,955 | 7,344 | 1,711 | 1,599 |
| Total taxable sales..... | \$ 75,668 | \$ 75,336 | \$ 71,478 | \$ 66,793 |

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

| Sources | For the Fiscal Year | | | |
|---|---------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2015 |
| Retail trade..... | 58.0% | 57.1% | 68.2% | 68.2% |
| Services..... | 16.6% | 15.6% | 17.5% | 17.5% |
| Transportation, communication, and utilities. | 13.3% | 13.5% | 7.5% | 7.5% |
| Wholesale trade..... | 4.3% | 4.0% | 4.4% | 4.4% |
| Other..... | 7.8% | 9.8% | 2.4% | 2.4% |
| Total taxable sales..... | 100.0% | 100.0% | 100.0% | 100.0% |
| Sales tax rate^a..... | 6.0% | 6.0% | 6.0% | 6.0% |

^a Excludes the 2% accommodations tax and the local option sales tax; includes the 5% retail sales tax and 1% Education Improvement Act sales tax.

^b Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

Table 6

| Ended June 30 | | | | | |
|-------------------------|-------------------------|-------------------------|------------------|------------------|------------------|
| 2014^b | 2013^b | 2012^b | 2011 | 2010 | 2009 |
| \$ 42,828 | \$ 40,817 | \$ 32,435 | \$ 31,293 | \$ 37,132 | \$ 38,129 |
| 10,957 | 10,443 | 15,923 | 14,990 | 4,976 | 5,189 |
| 4,724 | 4,502 | 2,139 | 2,125 | 5,403 | 5,292 |
| 2,751 | 2,621 | 1,988 | 2,041 | 2,338 | 2,519 |
| 1,502 | 1,432 | 925 | 933 | 1,276 | 1,539 |
| \$ 62,762 | \$ 59,815 | \$ 53,410 | \$ 51,382 | \$ 51,125 | \$ 52,668 |

Table 7

| Ended June 30 | | | | | |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| 68.2% | 68.2% | 60.7% | 60.9% | 72.6% | 72.4% |
| 17.5% | 17.5% | 29.8% | 29.2% | 9.7% | 9.9% |
| 7.5% | 7.5% | 4.0% | 4.1% | 10.6% | 10.0% |
| 4.4% | 4.4% | 3.7% | 4.0% | 4.6% | 4.8% |
| 2.4% | 2.4% | 1.8% | 1.8% | 2.5% | 2.9% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |

Personal Income Tax Rates**Table 8****Last Ten Calendar Years**

| Tax Year | Tax Rates | Number of Brackets | Income Brackets | | Average Effective Rate^a |
|---------------------|----------------------|-------------------------------|------------------------|-------------|---|
| | | | Low | High | |
| 2017 | 0.0% - 7.0% | 6 | 2,930 | 14,670 | b |
| 2016 | 0.0% - 7.0% | 6 | 2,920 | 14,600 | 1.9% |
| 2015 | 0.0% - 7.0% | 6 | 2,910 | 14,550 | 1.8% |
| 2014 | 0.0% - 7.0% | 6 | 2,880 | 14,400 | 1.8% |
| 2013 | 0.0% - 7.0% | 6 | 2,850 | 14,250 | 1.9% |
| 2012 | 0.0% - 7.0% | 6 | 2,800 | 14,000 | 1.9% |
| 2011 | 0.0% – 7.0% | 6 | 2,760 | 13,800 | 1.8% |
| 2010 | 0.0% – 7.0% | 6 | 2,740 | 13,700 | 1.9% |
| 2009 | 0.0% – 7.0% | 6 | 2,740 | 13,700 | 1.8% |
| 2008 | 0.0% – 7.0% | 6 | 2,670 | 13,350 | 1.9% |

^a The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

^b Not yet available.

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

Personal Income Tax Filers and Liability by Income Level

Table 9

Calendar Years 2016 and 2007

(dollars, except income level, expressed in thousands)

| 2016 ^a | | | | |
|-------------------------------|---------------------|------------------------|-------------------------------------|------------------------|
| State Taxable Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
| \$100,001 and higher | 133,540 | 5.7% | \$ 1,725,437 | 45.8% |
| \$75,001 - \$100,000 | 88,770 | 3.8% | 456,291 | 12.1% |
| \$50,001 - \$75,000 | 165,315 | 7.1% | 586,583 | 15.6% |
| \$25,001 - \$50,000 | 335,634 | 14.4% | 643,985 | 17.1% |
| \$10,001 - \$25,000 | 386,601 | 16.6% | 260,324 | 6.9% |
| \$10,000 and lower | 1,223,767 | 52.4% | 98,671 | 2.5% |
| Total | 2,333,627 | 100.0% | \$ 3,771,291 | 100.0% |

| 2007 | | | | |
|-------------------------------|---------------------|------------------------|-------------------------------------|------------------------|
| State Taxable Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
| \$100,001 and higher | 81,416 | 3.9% | \$ 1,282,822 | 42.2% |
| \$75,001 - \$100,000 | 62,537 | 3.0% | 329,742 | 10.8% |
| \$50,001 - \$75,000 | 139,581 | 6.7% | 503,748 | 16.6% |
| \$25,001 - \$50,000 | 304,282 | 14.7% | 595,006 | 19.6% |
| \$10,001 - \$25,000 | 374,382 | 18.1% | 267,905 | 8.8% |
| \$10,000 and lower | 1,108,583 | 53.6% | 60,416 | 2.0% |
| Total | 2,070,781 | 100.0% | \$ 3,039,639 | 100.0% |

^a Information for 2017 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(expressed in thousands unless otherwise indicated)

| | For the Fiscal Year | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2018 | 2017 (as restated) | 2016 (as restated) | 2015 (as restated) |
| Governmental Activities | | | | |
| General obligation bonds..... | \$ 564,811 | \$ 756,172 | \$ 962,196 | \$1,126,138 |
| Limited obligation bonds..... | — | — | — | 185 |
| Tobacco Authority bonds..... | — | — | — | — |
| Infrastructure Bank bonds..... | 1,729,005 | 1,788,232 | 1,854,451 | 1,942,456 |
| Revenue bonds..... | 41,109 | 44,270 | 14,144 | 17,680 |
| Notes payable..... | 105,045 | 86,971 | 66,875 | 61,185 |
| Capital leases..... | 1,745 | 1,871 | 3,395 | 4,493 |
| Total governmental activities..... | <u>2,441,715</u> | <u>2,677,516</u> | <u>2,901,061</u> | <u>3,152,137</u> |
| Business-Type Activities | | | | |
| Revenue bonds..... | 5,555 | 5,730 | 5,895 | 6,055 |
| Notes payable..... | <u>6,500</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total business-type activities..... | <u>12,055</u> | <u>5,730</u> | <u>5,895</u> | <u>6,055</u> |
| Total primary government..... | <u>\$2,453,770</u> | <u>\$2,683,246</u> | <u>\$2,906,956</u> | <u>\$3,158,192</u> |
| | | | | |
| Debt as a percentage of personal income..... | 1.2% | 1.4% | 1.5% | 1.8% |
| | | | | |
| Debt per capita expressed in actual dollars..... | a | \$ 534 | \$ 586 | \$ 646 |

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

^a Not yet available.

Source: South Carolina Comptroller General's Office

Table 10

| Ended June 30 | | | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| (as restated) | (as restated) | (as restated) | (as restated) | (as restated) | (as restated) |
| \$1,320,532 | \$1,376,697 | \$1,571,957 | \$1,756,397 | \$1,950,048 | \$1,857,510 |
| 919 | 2,408 | 3,822 | 5,161 | 6,435 | 7,629 |
| — | — | — | 63,161 | 120,653 | 176,180 |
| 2,016,518 | 2,003,486 | 2,074,308 | 2,135,772 | 2,051,545 | 2,091,864 |
| 21,072 | 24,318 | 27,424 | 30,400 | 33,251 | 35,982 |
| 68,265 | 77,126 | 91,430 | 100,172 | 110,944 | 70,820 |
| 6,004 | 349 | 318 | 261 | 242 | 404 |
| <u>3,433,310</u> | <u>3,484,384</u> | <u>3,769,259</u> | <u>4,091,324</u> | <u>4,273,118</u> | <u>4,240,389</u> |
| 6,210 | 6,360 | — | — | — | — |
| — | — | — | — | — | — |
| <u>6,210</u> | <u>6,360</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| <u>\$3,439,520</u> | <u>\$3,490,744</u> | <u>\$3,769,259</u> | <u>\$4,091,324</u> | <u>\$4,273,118</u> | <u>\$4,240,389</u> |
| 2.0% | 2.1% | 2.4% | 2.7% | 2.9% | 2.8% |
| \$ 713 | \$ 732 | \$ 799 | \$ 876 | \$ 922 | \$ 924 |

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(expressed in thousands unless otherwise indicated)

| | For the Fiscal Year | | | |
|---|---------------------|-------------------|-------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Governmental Activities | | | | |
| Capital improvement bonds..... | \$ 8,698 | \$ 26,564 | \$ 55,629 | \$ 99,296 |
| State highway bonds..... | 162,628 | 213,686 | 263,083 | 311,034 |
| State school facilities bonds..... | — | 9,021 | 31,500 | 76,909 |
| Infrastructure Bank bonds..... | 33,725 | 36,630 | 39,326 | 42,061 |
| State economic development bonds..... | 251,837 | 342,669 | 426,280 | 427,646 |
| Research university infrastructure bonds..... | 81,348 | 97,783 | 113,410 | 133,165 |
| Air carrier hub terminal facilities bonds..... | 26,575 | 29,819 | 32,968 | 36,027 |
| Total governmental activities..... | 564,811 | 756,172 | 962,196 | 1,126,138 |
| Total primary government..... | \$ 564,811 | \$ 756,172 | \$ 962,196 | \$ 1,126,138 |
| Debt as a percentage of personal income..... | a | 0.4% | 0.5% | 0.6% |
| Debt per capita expressed in actual dollars... | a | \$ 151 | \$ 194 | \$ 230 |

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

^a Not yet available.

Source: South Carolina Comptroller General's Office

Table 11

| Ended June 30 | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| \$ 148,642 | \$ 191,926 | \$ 243,248 | \$ 294,497 | \$ 355,264 | \$ 424,080 |
| 358,484 | 390,046 | 433,266 | 470,125 | 510,365 | 548,278 |
| 143,868 | 204,120 | 264,245 | 321,243 | 375,742 | 427,355 |
| 44,533 | 44,052 | 45,953 | 48,055 | 50,026 | 51,921 |
| 436,379 | 356,623 | 377,809 | 398,026 | 417,633 | 206,371 |
| 149,609 | 147,989 | 162,626 | 176,817 | 190,594 | 199,505 |
| 39,017 | 41,941 | 44,810 | 47,634 | 50,424 | — |
| 1,320,532 | 1,376,697 | 1,571,957 | 1,756,397 | 1,950,048 | 1,857,510 |
| \$ 1,320,532 | \$ 1,376,697 | \$ 1,571,957 | \$ 1,756,397 | \$ 1,950,048 | \$ 1,857,510 |
| 0.8% | 0.8% | 1.0% | 1.2% | 1.3% | 1.2% |
| \$ 274 | \$ 289 | \$ 333 | \$ 376 | \$ 421 | \$ 405 |

Computation of Legal Debt Margin

June 30, 2018

(Expressed in Thousands)

Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

HIGHWAY BONDS

| | |
|--|------------------|
| 2016-2017 Budgetary General Fund revenues pledged for highway bonds..... | \$ 11,050 |
| 2016-2017 other revenues pledged for highway bonds..... | 692,809 |
| | <hr/> |
| 2016-2017 revenues pledged for highway bonds..... | 703,859 |
| | <hr/> |
| 15% of 2016-2017 revenues pledged for highway bonds..... | 105,579 |
| Less: maximum annual debt service for highway bonds ^a | 53,171 |
| | <hr/> |
| Legal debt service margin at June 30, 2018--highway bonds..... | \$ 52,408 |
| | <hr/> |

GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES) ^d

| | |
|--|-------------------|
| 2016-2017 Budgetary General Fund revenues | \$ 7,582,470 |
| Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds ^b | 11,050 |
| | <hr/> |
| 2016-2017 net Budgetary General Fund revenues..... | 7,571,420 |
| | <hr/> |
| 6% of 2016-2017 net Budgetary General Fund revenues..... | 454,285 |
| Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes ^a | 52,936 |
| | <hr/> |
| Legal debt service margin at June 30, 2018--general obligation bonds excluding institution and highway bonds and bond anticipation notes..... | \$ 401,349 |
| | <hr/> |

Table 12

| <u>ECONOMIC DEVELOPMENT BONDS^e</u> | |
|---|------------------|
| 2016-2017 Budgetary General Fund revenues | \$ 7,582,470 |
| Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds ^b | 11,050 |
| 2016-2017 net Budgetary General Fund revenues..... | 7,571,420 |
| 0.5% of 2016-2017 net Budgetary General Fund revenues..... | 37,857 |
| Less: maximum annual debt service for economic development bonds ^a | 4,489 |
| Legal debt service margin at June 30, 2018--economic development bonds..... | \$ 33,368 |
| <u>RESEARCH UNIVERSITY INFRASTRUCTURE BONDS</u> | |
| 2016-2017 Budgetary General Fund revenues | \$ 7,582,470 |
| Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds ^b | 11,050 |
| 2016-2017 net Budgetary General Fund revenues..... | 7,571,420 |
| 0.5% of 2016-2017 net Budgetary General Fund revenues..... | 37,857 |
| Less: maximum annual debt service for research university infrastructure bonds ^c | 19,375 |
| Legal debt service margin at June 30, 2018--research university infrastructure bonds..... | \$ 18,482 |

^a As of June 30, 2018, the maximum annual debt service will occur in the fiscal year ending June 30, 2019.

^b For the fiscal year ended June 30, 2018, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

^c As of June 30, 2018, the maximum annual debt service will occur in the fiscal year ending June 30, 2020.

^d During the fiscal year ended June 30, 2010, the State issued \$50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than \$50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

^e During the fiscal year ended June 30, 2010, the State issued \$170 million of Economic Development bonds, during the fiscal year ended June 30, 2014, the State issued an additional \$85 million of Economic Development bonds, during the fiscal year ended June 30, 2015, the State issued an additional \$18.11 million of Economic Development bonds, which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. The \$170 million, \$85 million, and \$18.11 million bond issues have been excluded from the debt service limit calculations.

Source: South Carolina Comptroller General's Office

Legal Debt Margin Information

Last Ten Fiscal Years
(expressed in thousands)

| | For the Fiscal Year | | | |
|--|---------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 |
| <u>State Highway Bonds</u> | | | | |
| Debt service limitation..... | \$ 105,579 | \$ 104,142 | \$ 99,210 | \$ 96,244 |
| Debt service applicable to limit..... | 53,171 | 53,915 | 54,646 | 56,534 |
| Legal debt margin at June 30..... | \$ 52,408 | \$ 50,227 | \$ 44,564 | \$ 39,710 |
| Legal debt margin as a percentage of debt service limitation..... | 49.6% | 48.2% | 44.9% | 41.3% |
| <u>General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes</u> | | | | |
| Debt service limitation..... | \$ 454,285 | \$ 440,260 | \$ 416,987 | \$ 392,469 |
| Debt service applicable to limit..... | 52,936 | 83,191 | 111,150 | 141,006 |
| Legal debt margin at June 30..... | \$ 401,349 | \$ 357,069 | \$ 305,837 | \$ 251,463 |
| Legal debt margin as a percentage of debt service limitation..... | 88.3% | 81.1% | 73.3% | 64.1% |
| <u>Economic Development Bonds</u> | | | | |
| Debt service limitation..... | \$ 37,857 | \$ 36,688 | \$ 34,749 | \$ 32,706 |
| Debt service applicable to limit..... | 4,489 | 17,678 | 22,771 | 24,473 |
| Legal debt margin at June 30..... | \$ 33,368 | \$ 19,010 | \$ 11,978 | \$ 8,233 |
| Legal debt margin as a percentage of debt service limitation..... | 88.1% | 51.8% | 34.5% | 25.2% |
| <u>Research University Infrastructure Bonds</u> | | | | |
| Debt service limitation..... | \$ 37,857 | \$ 36,688 | \$ 34,749 | \$ 32,706 |
| Debt service applicable to limit..... | 19,375 | 19,375 | 19,375 | 21,521 |
| Legal debt margin at June 30..... | \$ 18,482 | \$ 17,313 | \$ 15,374 | \$ 11,185 |
| Legal debt margin as a percentage of debt service limitation..... | 48.8% | 47.2% | 44.2% | 34.2% |

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Source: South Carolina Comptroller General's Office

Table 13

| Ended June 30 | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| \$ 93,314 | \$ 95,326 | \$ 95,525 | \$ 93,729 | \$ 93,382 | \$ 98,037 |
| 57,365 | 57,717 | 58,390 | 58,831 | 60,997 | 64,078 |
| \$ 35,949 | \$ 37,609 | \$ 37,135 | \$ 34,898 | \$ 32,385 | \$ 33,959 |
| 38.5% | 39.5% | 38.9% | 37.2% | 34.7% | 34.6% |
| | | | | | |
| \$ 382,796 | \$ 350,844 | \$ 337,073 | \$ 313,772 | \$ 331,738 | \$ 382,086 |
| 175,354 | 173,992 | 180,387 | 183,438 | 199,556 | 198,074 |
| \$ 207,442 | \$ 176,852 | \$ 156,686 | \$ 130,334 | \$ 132,182 | \$ 184,012 |
| 54.2% | 50.4% | 46.5% | 41.5% | 39.8% | 48.2% |
| | | | | | |
| \$ 31,900 | \$ 29,237 | \$ 28,089 | \$ 26,148 | \$ 27,645 | \$ 31,841 |
| 24,493 | 24,521 | 24,521 | 24,655 | 24,655 | 21,229 |
| \$ 7,407 | \$ 4,716 | \$ 3,568 | \$ 1,493 | \$ 2,990 | \$ 10,612 |
| 23.2% | 16.1% | 12.7% | 5.7% | 10.8% | 33.3% |
| | | | | | |
| \$ 31,900 | \$ 29,237 | \$ 28,089 | \$ 26,148 | \$ 27,645 | \$ 31,841 |
| 21,663 | 20,452 | 20,624 | 20,820 | 21,019 | 21,019 |
| \$ 10,237 | \$ 8,785 | \$ 7,465 | \$ 5,328 | \$ 6,626 | \$ 10,822 |
| 32.1% | 30.0% | 26.6% | 20.4% | 24.0% | 34.0% |

Pledged Revenue Coverage**Table 14**

Last Ten Fiscal Years
(expressed in thousands)

| Fiscal Year Ended June 30 | Revenue Available for Debt Service | Debt Service Requirements | | | Coverage Ratio |
|---|--|---------------------------|-----------|------------|-------------------|
| | | Principal | Interest | Total | |
| Department of Administration—Revenue Bonds | | | | | |
| 2018 | \$ 2,373 | \$ 2,260 | \$ 113 | \$ 2,373 | 1.00 |
| 2017 | 2,376 | 2,155 | 221 | 2,376 | 1.00 |
| 2016 | 2,379 | 2,055 | 324 | 2,379 | 1.00 |
| 2015 | 2,387 | 1,965 | 422 | 2,387 | 1.00 |
| 2014 | 2,385 | 1,870 | 515 | 2,385 | 1.00 |
| 2013 | 2,384 | 1,780 | 604 | 2,384 | 1.00 |
| 2012 | 2,384 | 1,695 | 689 | 2,384 | 1.00 |
| 2011 | 2,382 | 1,620 | 762 | 2,382 | 1.00 |
| 2010 | 2,371 | 1,540 | 831 | 2,371 | 1.00 |
| 2009 | 2,367 | 1,470 | 897 | 2,367 | 1.00 |
| Infrastructure Bank Bonds | | | | | |
| 2018 | \$ 230,447 | \$ 79,744 | \$ 74,222 | \$ 153,966 | 1.50 |
| 2017 | 236,635 | 60,754 | 80,734 | 141,488 | 1.67 |
| 2016 | 288,284 | 78,125 | 87,548 | 165,673 | 1.74 |
| 2015 | 219,487 | 67,125 | 89,129 | 156,254 | 1.40 |
| 2014 | 208,256 | 71,550 | 92,522 | 164,072 | 1.27 |
| 2013 | 212,078 | 60,730 | 95,789 | 156,519 | 1.35 |
| 2012 | 217,883 | 54,410 | 103,703 | 158,113 | 1.38 |
| 2011 | 246,542 | 48,418 | 96,606 | 145,024 | 1.70 |
| 2010 | 213,689 | 46,275 | 99,624 | 145,899 | 1.46 |
| 2009 | 207,747 | 40,750 | 99,446 | 140,196 | 1.48 |
| Tobacco Settlement Revenue Management Authority Bonds | | | | | |
| 2018 | \$ 81,605 | \$ — | \$ — | \$ — | N/A |
| 2017 | 73,533 | — | — | — | N/A |
| 2016 | 71,119 | — | — | — | N/A |
| 2015 | 70,419 | — | — | — | N/A |
| 2014 | 109,113 | — | — | — | N/A |
| 2013 | 73,326 | — | — | — | N/A |
| 2012 | 74,122 | 71,700 | 3,585 | 75,285 | 0.98 |
| 2011 | 69,808 | 65,265 | 3,585 | 68,850 | 1.01 |
| 2010 | 68,709 | 63,035 | 10,000 | 73,035 | 0.94 |
| 2009 | 95,115 | 75,730 | 13,787 | 89,517 | 1.06 |

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Demographic Statistics**Table 15****Last Ten Calendar Years**

| Year | Population at July 1 ^a | Per Capita Income ^b | Average Annual Unemployment Rate ^c |
|-------------|--|---|--|
| 2017 | 5,024,369 | \$ 40,421 | 4.1% |
| 2016 | 4,959,822 | 39,527 | 4.9% |
| 2015 | 4,892,423 | 38,802 | 5.9% |
| 2014 | 4,824,758 | 37,042 | 6.4% |
| 2013 | 4,765,862 | 35,307 | 7.5% |
| 2012 | 4,719,009 | 35,261 | 9.1% |
| 2011 | 4,672,744 | 33,803 | 10.4% |
| 2010 | 4,635,834 | 32,161 | 11.1% |
| 2009 | 4,589,872 | 31,635 | 11.3% |
| 2008 | 4,528,996 | 32,877 | 7.0% |

Information has been updated when modifications are provided by the Federal Government Sources.

^a Source: U.S. Census Bureau

^b Source: U.S. Department of Commerce, Bureau of Economic Statistics

^c Source: U.S. Department of Commerce, Bureau of Economic Statistics

Employment by Industry**Table 16****Latest Completed Calendar Year and Nine Years Prior**

| Sources | 2017 | | 2008 | |
|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | Number of Employees | Percent of Total | Number of Employees | Percent of Total |
| Services..... | 898,374 | 41.3% | 763,157 | 37.9% |
| State and local..... | 323,013 | 14.9% | 315,002 | 15.6% |
| Retail trade..... | 248,446 | 11.4% | 238,804 | 11.9% |
| Manufacturing..... | 240,799 | 11.1% | 243,276 | 12.1% |
| Finance, insurance, and real estate..... | 103,793 | 4.8% | 102,484 | 5.1% |
| Construction..... | 103,350 | 4.8% | 113,785 | 5.7% |
| Transportation and public utilities..... | 78,521 | 3.6% | 64,886 | 3.2% |
| Wholesale trade..... | 72,740 | 3.3% | 71,529 | 3.6% |
| Military..... | 52,804 | 2.4% | 55,351 | 2.7% |
| Federal government, civilian..... | 33,770 | 1.6% | 30,466 | 1.5% |
| Farming..... | 9,290 | 0.4% | 6,439 | 0.3% |
| Agricultural services, forestry, fishing, and other..... | 7,231 | 0.3% | 6,774 | 0.3% |
| Mining..... | 1,684 | 0.1% | 1,482 | 0.1% |
| Total wage and salary employment..... | <u>2,173,815</u> | <u>100.0%</u> | <u>2,013,435</u> | <u>100.0%</u> |

Note: Pursuant to the provisions of Section 41-29-150 of the South Carolina Code of Laws, the number of employee for individual companies within the State is not available. The employers are instead listed alphabetically rather than in order of size.

Source: U.S. Department of Commerce, Bureau of Economic Statistics

Ten Largest Employers**Table 17**

**Latest Completed Calendar Year and Nine Years Prior
(Listed alphabetically)**

| 2017 | 2008 |
|-----------------------------------|--|
| Bi-Lo, Inc. | Bi-Lo, Inc. |
| BMW Manufacturing Corporation | Blue Cross/Blue Shield of South Carolina |
| Greenville County School District | Greenville County School District |
| Greenville Health System | Greenville Hospital System |
| Michelin North America, Inc. | Michelin North America, Inc. |
| Palmetto Health Alliance, Inc. | Palmetto Health Alliance, Inc. |
| Publix Super Markets, Inc. | U.S. Department of Defense |
| U.S. Department of Defense | U.S. Postal Service |
| University of South Carolina | University of South Carolina |
| Wal-Mart Associates, Inc. | Wal-Mart Associates, Inc. |

Note: Pursuant to the provisions of Section 41-29-150 of the South Carolina Code of Laws, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

Government Employees by Function

Last Ten Fiscal Years

| Function | Permanent Employees | | | |
|---|---------------------|-------------------|-------------------|-------------------|
| | 2018 ^a | 2017 ^a | 2016 ^a | 2015 ^a |
| General government..... | 6,265 | 6,243 | 6,102 | 6,068 |
| Education..... | 2,898 | 2,974 | 2,898 | 2,857 |
| Higher education..... | — | — | — | — |
| Health and environment..... | 9,818 | 9,493 | 9,489 | 9,741 |
| Social services..... | 4,062 | 3,730 | 3,675 | 3,438 |
| Administration of justice..... | 8,755 | 8,659 | 8,578 | 8,886 |
| Resources and economic development..... | 1,742 | 1,630 | 1,607 | 1,612 |
| Transportation..... | 4,342 | 4,530 | 4,602 | 4,361 |
| Other..... | 81 | 82 | 76 | 66 |
| Totals..... | 37,963 | 37,341 | 37,027 | 37,029 |

^a Beginning with fiscal year 2012-2013, the following entities are reported as discretely presented component units rather than as part of the primary government: Higher education institutions, Housing Authority, Education Assistance Authority, Jobs-Economic Development Authority, and Patriots Point Development Authority.

Source: South Carolina Comptroller General's Office

Table 18

| as of June 30 | | | | | |
|-------------------|-------------------|---------------|---------------|---------------|---------------|
| 2014 ^a | 2013 ^a | 2012 | 2011 | 2010 | 2009 |
| 6,023 | 5,748 | 5,927 | 5,915 | 6,108 | 6,307 |
| 2,773 | 2,717 | 2,726 | 2,772 | 2,968 | 2,990 |
| — | — | 29,518 | 28,547 | 28,414 | 28,271 |
| 9,683 | 9,675 | 9,875 | 10,399 | 10,998 | 11,487 |
| 3,294 | 3,222 | 3,150 | 3,235 | 3,689 | 3,990 |
| 9,205 | 9,261 | 9,295 | 9,442 | 9,631 | 9,954 |
| 1,525 | 1,477 | 1,410 | 1,437 | 1,675 | 1,738 |
| 4,291 | 4,417 | 4,471 | 4,536 | 5,006 | 5,050 |
| 56 | 66 | 300 | 307 | 314 | 317 |
| 36,850 | 36,583 | 66,672 | 66,590 | 68,803 | 70,104 |

Operating Indicators by Function

Last Ten Fiscal Years

| | For the Fiscal Year | | | |
|---|---------------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 |
| General government | | | | |
| Individual income tax returns processed..... | 2,433,317 | 3,058,609 | 2,995,483 | 2,582,598 |
| Corporate income tax returns processed | 133,959 | 126,000 | 129,511 | 212,072 |
| Department of Motor Vehicles transactions..... | 15,447,021 | 14,681,110 | 14,113,064 | 13,401,505 |
| Workers' compensation cases reviewed..... | 67,255 | 64,802 | 63,480 | 63,164 |
| Education | | | | |
| Public school enrollment..... | 774,004 | 769,130 | 760,500 | 753,485 |
| Average operating miles per school bus..... | 14,400 | 14,600 | 14,798 | 14,715 |
| State Museum visitors..... | 208,300 | 161,335 | 161,372 | 181,284 |
| Health and environment | | | | |
| Medicaid eligible participants..... | 1,424,134 | 1,413,345 | 1,424,039 | 1,336,550 |
| Women, Infant and Children (WIC) participants.. | 109,864 | 101,563 | 107,257 | 114,562 |
| Community mental health center clients..... | 84,528 | 82,560 | 82,241 | 80,792 |
| Social services | | | | |
| Average food stamp households per month..... | 345,511 | 342,551 | 371,331 | 382,054 |
| Child Protective Services investigations..... | 37,837 | 26,347 | 24,980 | 19,784 |
| Administration of justice | | | | |
| Adult prison average daily population..... | 19,097 | 20,105 | 20,593 | 20,948 |
| Juvenile facility average daily population..... | 435 | 514 | 534 | 560 |
| Resources and economic development | | | | |
| Dept of Commerce capital investment projects... | 157 | 132 | 150 | 146 |
| Welcome Center visitors..... | 3,232,816 | 2,954,241 | 3,018,376 | 2,054,310 |
| Hunting and fishing licenses processed..... | 845,333 | 875,912 | 918,677 | 995,773 |
| Watercraft registrations..... | 505,817 | 499,512 | 500,687 | 481,144 |
| Transportation | | | | |
| Miles of surface repairs..... | 143,334 | 139,399 | 171,818 | 160,674 |
| Miles of roadway inspections..... | 349,335 | 364,882 | 198,161 | 178,761 |
| Unemployment compensation benefits | | | | |
| Initial claims..... | 139,336 | 114,951 | 159,186 | 179,984 |
| Total benefit weeks claimed..... | 863,828 | 964,485 | 1,197,550 | 956,586 |
| Medical malpractice insurance | | | | |
| Membership total..... | 2,614 | 2,686 | 2,833 | 2,988 |
| Tuition prepayment program | | | | |
| Individual accounts..... | 5,317 | 5,486 | 5,575 | 5,662 |
| Insurance claims processing | | | | |
| Second Injury Fund claims paid..... | 1,380 | 1,336 | 1,567 | 1,759 |
| Other | | | | |
| Public railway carloads (calendar year)..... | 106,490 | 135,267 | 133,147 | 117,550 |

Source: South Carolina Comptroller General's Office

Table 19

Ended June 30

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------|------------|------------|-----------|------------|------------|
| 2,514,090 | 2,444,843 | 2,406,252 | 2,482,647 | 2,379,693 | 2,393,919 |
| 209,677 | 208,208 | 194,680 | 197,608 | 183,224 | 185,200 |
| 12,767,033 | 11,541,043 | 10,522,707 | 9,898,064 | 11,989,686 | 12,430,183 |
| 63,541 | 53,683 | 44,327 | 43,464 | 53,407 | 63,493 |
| 742,325 | 731,679 | 719,201 | 714,421 | 712,240 | 707,739 |
| 14,862 | 16,041 | 15,048 | 15,950 | 15,795 | 15,600 |
| 127,943 | 143,199 | 185,124 | 136,346 | 156,810 | 154,487 |
| 1,246,546 | 1,162,210 | 1,069,195 | 1,019,508 | 975,275 | 934,090 |
| 112,131 | 125,368 | 130,646 | 130,097 | 133,942 | 134,618 |
| 78,825 | 89,510 | 83,880 | 85,244 | 88,726 | 88,999 |
| 403,281 | 415,475 | 444,268 | 384,936 | 346,807 | 287,867 |
| 14,606 | 11,924 | 15,803 | 17,763 | 18,805 | 17,621 |
| 21,581 | 22,152 | 22,776 | 23,358 | 24,105 | 24,081 |
| 523 | 508 | 532 | 635 | 739 | 858 |
| 127 | 151 | 149 | 172 | 161 | 190 |
| 2,001,594 | 2,046,582 | 2,158,943 | 2,023,488 | 2,323,877 | 2,123,161 |
| 962,561 | 938,736 | 965,598 | 996,890 | 958,014 | 840,956 |
| 460,300 | 462,926 | 450,935 | 442,057 | 429,233 | 429,532 |
| 166,174 | 150,859 | 137,479 | 150,590 | 178,084 | 162,938 |
| 354,953 | 341,907 | 325,930 | 361,226 | 448,492 | 401,426 |
| 225,420 | 264,447 | 278,714 | 310,528 | 386,818 | 545,137 |
| 1,365,992 | 1,787,530 | 2,402,387 | 2,992,594 | 4,331,564 | 4,206,476 |
| 3,311 | 3,020 | 3,374 | 3,570 | 4,230 | 4,568 |
| 5,758 | 5,841 | 5,935 | 6,052 | 6,135 | 6,239 |
| 1,964 | 2,190 | 3,312 | 3,224 | 3,118 | 3,404 |
| 122,475 | 105,775 | 88,746 | 66,618 | 64,554 | 92,136 |

Capital Assets by Function

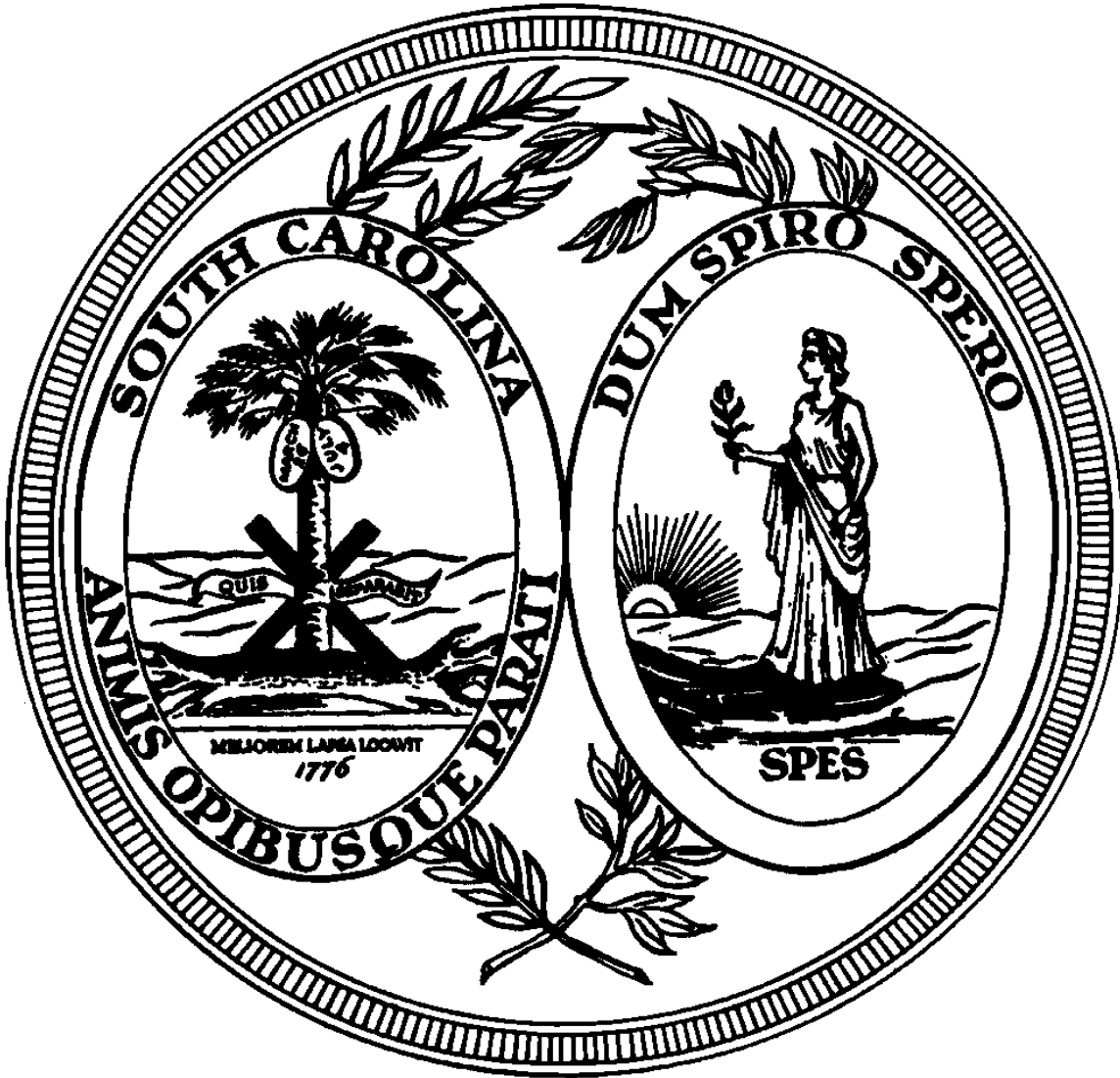
Last Ten Fiscal Years

| | For the Fiscal Year | | | |
|--|---------------------|--------|--------|--------|
| | 2018 | 2017 | 2016 | 2015 |
| General government | | | | |
| Buildings and facilities..... | 44 | 45 | 49 | 49 |
| State armories..... | 59 | 57 | 57 | 58 |
| Fleet vehicles..... | 3,607 | 3,325 | 3,000 | 3,029 |
| Motor vehicle district offices..... | 66 | 67 | 67 | 66 |
| Education | | | | |
| School buses..... | 5,681 | 5,671 | 5,617 | 5,776 |
| Television transmitters..... | 11 | 11 | 11 | 11 |
| Vocational training/client centers..... | 34 | 34 | 35 | 35 |
| Health and environment | | | | |
| Mental health buildings..... | 127 | 139 | 141 | 144 |
| Community mental health centers..... | 71 | 68 | 64 | 64 |
| Regional special needs centers..... | 5 | 5 | 5 | 5 |
| Social services | | | | |
| Buildings and facilities..... | 65 | 67 | 69 | 69 |
| Administration of justice | | | | |
| Adult correctional institutions..... | 21 | 23 | 23 | 24 |
| Juvenile correctional facilities..... | 5 | 5 | 5 | 5 |
| Highway patrol district offices..... | 6 | 6 | 6 | 6 |
| Highway patrol vehicles..... | 1,628 | 1,551 | 1,442 | 1,442 |
| Resources and economic development | | | | |
| Acres of State parks..... | 91,144 | 86,445 | 86,445 | 86,445 |
| Acres of State forests..... | 94,462 | 94,462 | 94,462 | 94,462 |
| State parks and historical sites..... | 53 | 53 | 53 | 53 |
| State farmers' markets..... | 3 | 3 | 3 | 3 |
| DNR vehicles and boats..... | 1,732 | 1,753 | 1,645 | 1,169 |
| Transportation | | | | |
| Miles of State highways (calendar year)..... | 41,330 | 41,358 | 41,377 | 41,391 |
| Weigh stations..... | 8 | 8 | 8 | 8 |
| Traffic cameras..... | 447 | 379 | 359 | 360 |
| Miles of cable median barriers..... | 490 | 490 | 490 | 480 |
| Other | | | | |
| Rail yards | 4 | 3 | 3 | 3 |
| State-owned locomotives | 12 | 12 | 12 | 10 |

Source: South Carolina Comptroller General's Office

Table 20

| Ended June 30 | | | | | |
|---------------|--------|--------|--------|--------|--------|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| 49 | 46 | 33 | 33 | 32 | 32 |
| 59 | 66 | 63 | 63 | 63 | 65 |
| 3,093 | 2,991 | 3,092 | 2,957 | 3,316 | 3,599 |
| 66 | 67 | 67 | 68 | 69 | 69 |
| 5,640 | 5,705 | 5,630 | 5,636 | 5,677 | 6,117 |
| 11 | 11 | 11 | 11 | 11 | 11 |
| 35 | 35 | 35 | 35 | 35 | 35 |
| 149 | 148 | 149 | 150 | 151 | 150 |
| 64 | 51 | 48 | 48 | 47 | 49 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 69 | 65 | 66 | 66 | 66 | 66 |
| 25 | 26 | 27 | 28 | 28 | 28 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 6 | 6 | 6 | 6 | 7 | 7 |
| 1,351 | 1,050 | 1,054 | 1,060 | 1,162 | 1,162 |
| 86,445 | 86,370 | 84,604 | 83,118 | 83,118 | 82,813 |
| 94,245 | 94,215 | 94,215 | 94,215 | 92,552 | 92,552 |
| 53 | 53 | 53 | 53 | 53 | 53 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1,292 | 1,081 | 1,223 | 841 | 1,121 | 1,203 |
| 41,414 | 41,432 | 41,448 | 41,470 | 41,460 | 41,468 |
| 8 | 8 | 8 | 8 | 9 | 9 |
| 360 | 360 | 360 | 350 | 350 | 320 |
| 480 | 480 | 480 | 480 | 476 | 476 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 10 | 10 | 10 | 10 | 10 | 10 |



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information:
Total printing cost was \$309.00; 100 copies were printed at a cost of \$3.09 each.